ALEXIUM INTERNATIONAL GROUP LIMITED

ANNUAL REPORT

For The Period Ended 30 June 2019

ABN 91 064 820 408 PRESENTED IN US DOLLARS

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DIRECTORS	Ms Rosheen Garnon Brigadier General Stephen Cheney Ms Claire Poll Dr Robert Brookins
COMPANY SECRETARY	Ms Maja McGuire
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AUDITORS	Grant Thornton Audit Pty Ltd Level 43 Central Park 152-158 St Georges Terrace Perth WA 6000
SHARE REGISTRY	Automic Registry Services Level 5, 126 Phillip St Sydney NSW 2000 Telephone: 1300 288 664
BANKERS	Macquarie Bank Level 23, 235 St Georges Terrace Perth WA 6000
SOLICITORS	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
ABN	91 064 820 408
DOMICILE AND COUNTRY OF INCORPORATION	Australia
LEGAL FORM OF ENTITY	Listed Public Company
SECURITY EXCHANGE	Australian Securities Exchange (Perth) Limited ASX Code: AJX

Dear Shareholders,

It is my pleasure to present to you Alexium's Annual Report for the year ending 30 June 2019 (FY19), my first as your Chair.

With a new management team and Board in place, FY19 was a transformational year for Alexium. Significant progress has been made to refocus the Company on our cornerstone initiatives, which will underpin future sustainable growth of Alexium.

Growth strategy targets high margin verticals

Alexium is an IP-driven business and our strategy is to target high margin verticals with solutions specifically built for our customers. Accordingly, our dedicated staff have worked tirelessly to establish the Alexium brand in the wider market by aligning ourselves with strategic partners in key markets. We now have two suites of valuable products, namely Alexicool® and Alexiflam® that are gaining market traction.

Alexiflam®: Partnerships to underpin growth of flame-retardant sales

Alexiflam® FR is our patented flame retardant with applications to nylon and cotton blend materials. The opportunity for use with the US military alone is large with approximately 35.2 million pounds of fabric required per annum for uniforms across all branches of the military. Having signed a development agreement with Pine Belt Processing, we are about to provide chemically treated uniforms for a wear trial. There are also opportunities for us to grow in adjacencies, over the long term, as we look to grow in new markets.

Alexiflam® NF was developed to address a market gap for an environmentally friendly flame-retardant treatment for cotton, with applications covering workwear, apparel and even wood. Following the signing of a MoU with ICL, we are well placed to negotiate a distribution agreement with ICL in a US$100+ million annual global market

Alexicool®: Strong demand for thermal regulation technology in bedding products

There are substantial opportunities for us to capitalise on the strong demand for our Alexicool® Phase-Change Material products, having launched a new Alexicool® FM product line in the first quarter of this calendar year. The market represents an $30 million opportunity for Alexium, and we have experienced increased demand for our products for top of bedding applications, signed supply contracts with a multi-billion-dollar North American mattress manufacturer, as well as with Pegasus Home Fashions, a world class manufacturer of pillow products.

New Board and management team

Given the substantial progress we have made across each of our cornerstone initiatives over the past year, I am confident that the new Board and management team will continue to build on the recent positive momentum created, as we execute on our growth plans in FY 2020 and beyond.

I would like to thank my fellow directors for their dedication and valuable input into our strategy and acknowledge our highly talented staff and management team for the tremendous job they have done over the past 12 months.

On behalf of Alexium's board and management team, I thank you for your continued shareholder support over the past year and look forward to reporting on the progress we make over the exciting year ahead, as we look to sustainably scale growth.

Ms Rosheen Garnon
Chair

Dear Shareholders,

I am delighted to share with you the substantial progress we have made over FY 2019 and provide a brief insight into what we plan to achieve for the year ahead.

Fiscal year 2019 was my first full year as Chief Executive Officer and during the year we welcomed Mr Jason Lewis (Chief Financial Officer) and Mr Allen Reihman (Chief Commercial Officer) to the leadership team. With an enhanced leadership team in place we were able to refocus the business and concentrate on our core strengths, as we capitalise on high margin opportunities.

The following report provides an overview of the key operational achievements made during the year, as we executed on our strategy.

Key partners identified to drive commercialization of Alexiflam® technologies

During FY 2019, we made significant advances in our FR NyCo technology where we completed Pyroman® testing of Alexium-created fabrics in addition to satisfying flammability requirements specified for a flame-retardant treatment to be used for everyday military uniforms. These are significant milestones, and the latter is the focus of our efforts for military applications. This work culminated in the signing of an exclusive Development Agreement with Pine Belt Processing for US military uniforms. We look forward to continuing to work closely with Pine Belt throughout FY 2020 as we progress development, ahead of an anticipated supply agreement for the final commercialised process and treatment.

Additionally, during FY 2019, we signed a MoU with ICL (a global specialty minerals and chemicals company) regarding the future marketing, distribution, and potential manufacture of Alexiflam® NF. Alexiflam® NF is a proprietary flame-retardant we developed to treat cotton, linen and other cellulosic textiles. Having now received US Environmental Protection Agency (EPA) approval under TSCA for the manufacture and sale in the US, we are well placed to drive commercialisation in the global market for flame retardant cotton.

Two Alexicool® technology supply agreements signed

We have seen increasing demand for PCM cooling technologies in the bedding industry, as premium brands realise the value in temperature management.

During March we entered into a Supply Agreement with a multi-billion-dollar North American mattress manufacturer, as the preferred supplier of PCM products. Additionally, in July we signed a supply agreement with Pegasus Home Fashions that will ensure their customers have access to products with enhanced cooling properties, as thermal regulation becomes an important requirement for consumers.

We are delighted with the progress made on Alexicool® and see the expansion of Alexicool® products to be a key driver of near-term profitability.

Strategic partnerships and improving cashflows underpin positive outlook

We are encouraged by the strong quarter on quarter growth in cash inflows during the second half of FY 2019 as the benefits of our growth strategy flow and we begin to scale up growth. We expect this positive trend to continue in FY 2020 and will underpin positive EBITDA by the end of the 2019 calendar year.

Alexium is well positioned for strong growth in the future as we execute on our strategy and leverage strategic partnerships. I would like to thank you for your continued shareholder support and look forward to delivering on the exciting operational initiatives planned for FY 2020 that will underpin long-term growth in shareholder value.

Dr Bob Brookins
Chief Executive Officer

Alexium International Group Limited - Corporate Governance Statement

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition

For the year ended 30 June 2019 and approved by the Board as at 12 July 2019

Alexium International Group Limited (**Company** or **Alexium**) is committed to best practice corporate governance and has reviewed all practices in line with ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations.

Throughout the financial year ended 30 June 2019, and as at the date of this statement, the Board has considered the recommendations contained in the ASX corporate governance council's Corporate Governance Principles and Recommendations (3rd edition) (**Recommendations)**.

The Board considers and applies the Recommendations taking into account the circumstances of the Company. Where the Company's practice departs from a Recommendation, this corporate governance statement identifies the area of divergence and reasons for it, or the alternative practise adopted by the Company.

The documents that govern the Company's corporate governance framework, including its Constitution, charters and polices are available in the Corporate Governance section on the Company's website - http://alexiuminternational.com/about/#corpGov

	Recommendations	Current Practice
1.1	A listed entity should disclose: a. The respective roles and responsibilities of its board and management; and b. Those matters expressly reserved to the board and those delegated to management.	The Company supports a clear segregation of duties between management and the Board. The Board is responsible for the strategic direction of the Company with oversight and review of the management and administration of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer/Managing Director. The respective roles and responsibilities of the Board, its Committees and senior executives are set out in the board and committee charters. These charters are available on the Company's website. Details on the number of meetings held throughout the year and attendance at those meetings can be found in the Company's 2019 Annual Report.
1.2	A listed entity should: a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b. Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Board has established policies and procedures that apply to the appointment of new directors, which include checks as to the person's character, experience, education and appropriate background checks. At each annual general meeting, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Non-Executive Directors are provided a formal letter of appointment which sets out their duties and responsibilities, rights and remuneration entitlements. Senior executives are employed under individual service contracts which set out their terms of employment including details of their duties, responsibilities, rights and remuneration entitlements.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with proper functioning of the board.	The Company Secretary is directly accountable to the Board, through the Chair, on all matters to do with proper functioning of the board. The Company Secretary is accessible to all Directors. The Board is responsible for the appointment and removal of the Company Secretary.

	Recommendations	Current Practice
1.5	A listed entity should: a. Have a diversity policy; b. Disclose that policy or a summary of it; c. Disclose the measurable objectives for achieving gender diversity and the its progress towards achieving them; and d. The respective proportions of men and women.	The Board has adopted a Diversity Policy which aims to ensure that the Company's workforce, including the Board, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company. The Diversity Policy does not include a requirement for the Board to establish measurable objectives for achieving gender diversity. Given the small size of the Company workforce, the Board has determined that it is not currently practicable to establish measurable objectives in this area. The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2019 are set out in the following table: (see table below)
1.6	A listed entity should: a. Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b. Disclose whether performance evaluations were undertaken.	The assessment of the Board, each Board Committee and each individual Director was undertaken prior to the date of this statement. An appropriate questionnaire was completed by all Directors. The results were collated and discussed by the Board.
1.7	A listed entity should: a. Have and disclose a process for periodically evaluating the performance of senior management; and b. Disclose whether performance evaluations were undertaken.	The Company conducts annual performance evaluations of all staff. Employee performance evaluations were undertaken in April 2019. The Remuneration Committee evaluated the performance of executive management in July 2019. Details on employee and executive management performance incentives and remuneration are contained in the remuneration report section of the Director's Report, in the Company's 2019 Annual Report.
2.1	A listed entity should have a nomination committee which: - Consists of at least 3 members, a majority of whom are independent directors; - Is chaired by an independent director; And disclose: - The charter of the committee; - The members of the committee - The number of times the committee met and individual attendance at those meetings If it does not have a nomination committee disclose that fact and the process it follows to address that role.	Reflecting the size and composition of the Board and Company, during the reporting period, the Board elected to carry out the functions of a nomination committee which includes Board renewal, succession planning, induction and evaluation. Post July 2019, the Board commenced delegating nomination committee functions to the new Nomination & Remuneration Committee. The Nomination & Remuneration Committee comprises of the following members, all of whom are independent non-executive Directors: • Ms Claire Poll (Chair); • Mr Stephen Cheney; and • Ms Rosheen Garnon. Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report. The new Nomination & Remuneration Committee Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.
2.2	A listed entity should have and disclose a board skills matrix.	The Board has developed a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve. Prior to the date of this statement, the Board reviewed whether the Directors as a group have the range of expertise, skills, knowledge and operational and technical expertise relevant to the operation of the Company required to address existing and emerging business and governance issues and fulfil their role on the Board and on the Board Committees.

	Proportion of Women
Whole Organisation (Excluding NEDs)	8 out of 25 (32%)
Snr Executive Positions (CEO, CFO, CCO)	0 out of 3 (0%)
Non-Executive Directors	2 out of 3 (66%)

Recommendations	Current Practice

Skills and Experience of Directors	
Strategy	Strategic planning & execution experience in developing, implementing, measuring and reporting strategic objectives that succeed in delivering long term sustainable shareholder value.
Executive Management	Experience at an executive level including the ability to: appoint and evaluate the performance of the CEO and senior executive managers; oversee strategic human resource management including workforce planning, and employee and industrial relations; and oversee large scale organisational change.
Corporate Governance	Previous experience as either an executive or non-executive director that demonstrates sound understanding of Corporate Governance Principles in an ASX listed Company.
Commercial Framework Development	Ability to identify key issues and opportunities for the Company and develop appropriate policies to define the parameters within which the organisation should operate.
Financial Performance	Qualifications and experience in accounting and/or finance and the ability to: analyse key financial statements; critically assess financial viability and performance; contribute to strategic financial planning; oversee budgets and the efficient use of resources; oversee funding arrangements and accountability; business unit and corporate finance reporting; and capital markets experience in sourcing funding from either debt or capital markets.
Risk and Compliance Oversight	Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks and systems
Marketing	Marketing and distribution strategies for B2B. Marketing experience in key business areas.
Innovation and Entrepreneurial	Proven success as an innovator. The required entrepreneurial mindset to ensure success in a fast-moving market environment. R & D experience in chemical formulations.
Human Resources	Staff engagement & executive remuneration experience in staff engagement principles and executive remuneration packaging, KPI management and reporting.
Legal	Legal experience in, or awareness of, legal obligations under the *Corporations Act 2001*, tax, ASX Listing Rules and the equivalent US laws. Application for and management of patents and other intellectual property.
Supply Chain Management	Logistics and operational experience in supply chain management.

Further details regarding the skills and experience of each Director are included in the Director's Report within the 2019 Annual Report.

2.3	A listed entity should disclose: - The names of the directors considered by the board to be independent directors and length of service. - If a director has an interest / association / relationship that meets the factors of assessing independence.	The independence of Directors was measured during the reporting period having regard to the defining characteristic set out in Box 2.3 of the Recommendations. The following table sets out the Directors of the Company during the reporting period, including their non-executive and independent status

Name	Appointment date	Resignation date	Non – executive?	Independent?
Ms Rosheen Garnon	19 September 2018		Yes	Yes
Mr Stephen Cheney	15 April 2015		Yes	Yes
Ms Claire Poll	10 December 2017		Yes	Yes
Dr Robert Brookins	13 July 2018		No	No
Ms Susan Thomas	10 December 2017	31 March 2019	Yes	Yes
Mr Craig Metz	1 December 2014	14 November 2018	Yes	Yes
Ms Karen Thurman	2 March 2017	14 November 2018	Yes	Yes

	Recommendations	Current Practice
2.4	A majority of the board should be independent directors.	In accordance with the Board Charter, the majority of Directors are independent. Only the MD & CEO is not considered independent, by virtue of him being an Executive of the Company.
2.5	The chair should be an independent director and should not be the same person as the CEO.	Ms Rosheen Garnon is an independent non-executive Chair. The roles of the Chair and CEO/MD are not exercised by the same individual. The Board Charter sets out distinct responsibilities of each role.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for Directors.	New Directors are provided with a formal letter of appointment and introductory materials. The Board Charter provides that the Company Secretary is responsible for arranging an induction program for any new director. Directors are encouraged and given the opportunity to broaden their knowledge of the Company by visiting Alexium's operational office. During the reporting period, Directors made a number of visits to the Company's operational site. Directors are encouraged to undertake professional development opportunities as and when required in order to further develop and maintain their skills and knowledge.
3.1	A listed entity should: - Have a code of conduct; and - Disclose the code or a summary of it.	The Company has established a Code of Conduct which applies to all Directors, senior executives and staff. Employees are responsible for actively reporting any breaches of the Code of Conduct and are encouraged to follow the steps outlined in the Whistle-blower Policy. The Code of Conduct and the Whistle-blower Policy are available on the Company's website.
4.1	The board of a listed entity should have an audit committee which: - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. Disclose: - The charter of the committee; - The relevant member qualifications; - The number of times the committee met and individual attendance at those meetings.	The Audit & Risk Committee (ARC) comprises of the following members, all of whom are independent non-executive Directors: • Ms Rosheen Garnon (Chair); • Ms Claire Poll; and • Mr Stephen Cheney. In addition to the ARC members, the MD & CEO, CFO, external auditor and Company Secretary regularly attend ARC meetings. The Board is in the process of reviewing its composition and skills, with view to ensuring that the ARC is chaired by an independent chair, who is not the Chair of the Board. Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report. The ARC Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.
4.2	The board should receive declarations for CEO & CFO in accordance with S.295A of Corporations Act before approving financial statements.	Prior to Board approval of the Company's annual financial reports, the Chief Executive Officer and Chief Financial Officer provide the Board with declarations required under section 295A of the Corporations Act 2001 (Cth) and Recommendation
4.3	A listed entity should ensure its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company's external audit function is performed by Grant Thornton. Representatives of Grant Thornton will attend the Company's 2019 Annual General Meeting and will be available to answer shareholder questions regarding the conduct of the audit and preparation and conduct of the Independent Auditor's Report.
5.1	A listed entity should: - Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and - Disclosure that policy or a summary of it.	The Company has adopted a Price Sensitive Information Policy which sets out the processes and practices that ensure its compliance with the continuous disclosure requirements under the ASX Listing Rules and Corporations Act 2001 (Cth). The Price Sensitive Information Policy is available on the Company's website.

	Recommendations	Current Practice
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company's website - http://alexiuminternational.com / - provides detailed information about its business and operations. Shareholders can find information about the Company's corporate governance practices on the website within the Corporate Governance section under About. This includes the Company's Constitution, Board and Committee Charters and the Company's other corporate governance and policies.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has adopted a Shareholder Communication and Participation Policy which outlines the range of media used to communicate with shareholders and the types of information provided. The Company encourages participation by shareholders at the Company's general meetings, investor presentations and via the contact details provided on the Company's website. The Shareholder Communication and Participation Policy is available on the Company's website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company views general meetings as an important forum for reciprocal communication between itself and shareholders. The Company provides a direct voting facility to allow security holders to vote ahead of general meetings without having to attend or appoint a proxy. Shareholders are encouraged to participate in general meetings and are given the opportunity to ask questions of the Company and its auditors at the annual general meeting.
6.4	A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.	The Company provides shareholders with the option of receiving communications from, and sending communications to, the Company and Share Registry electronically. The Company provides a printed copy of the Annual Report only to those shareholders who have specifically elected to receive a printed copy. Other shareholders receive the Annual Report via email and are advised that it is available on the Company's website. Shareholders are encouraged to register on the Company website to receive email alerts of ASX announcements and media releases. The Company's share register is managed by Automic Pty Ltd. Shareholders can access their shareholding details or make enquiries about their shareholding electronically through the Automic Investor Centre.
7.1	The board of a listed entity should have a committee to oversee risk, which: - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. Disclose: - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings If it does not have a risk committee disclose that fact and the process it follows to address that role.	The Audit and Risk Committee (ARC) has the responsibility to establish policies on the system of internal control and identification and management of material risks in accordance with the Company's Risk Management Policy. A copy of the Risk Management Policy is available on the Company's website. Further details regarding the ARC and its membership are set out in response to Recommendation 4.1.
7.2	The board or a committee of the board should: - Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and - Disclose whether such a review has taken place.	The Audit and Risk Committee (ARC) is responsible for reviewing the Company's risk management framework to ensure the Company's governance processes and practices continue to be sound and that Alexium manages risk within the Board approved risk appetite. The ARC conducted its review prior to the date of this statement and concluded that controls over risk management processes were considered adequate and effective. In addition to meetings of the ARC, the Board is updated on material business and financial risks on an on-going basis.

	Recommendations	Current Practice
7.3	A listed entity should disclose: - If it has an internal audit function, how the function is structured and what role it performs; - If it does not have an internal audit function, disclose that fact and the process it follows to address that function.	The Company currently does not retain a dedicated internal audit position. Management and the Board consider this is appropriate, taking into consideration the stage of the Company's life cycle, the scale and relative simplicity of its current operations, and size of its finance function. The internal audit function is performed by senior management and reviewed by the board. Currently this function comprises: • Regular review and testing of the adequacy of controls for risks identified as presenting the highest overall exposure; • Management's periodic confirmation that the assessment of these identified risks and their controls remain appropriate; • Identification and review of any newly identified risks that may develop resulting from changes to the business; and • Regular and recurring review of any deficiencies identified as part of an external audit and the subsequent actions taken to mitigate these risks. Where considered appropriate, external guidance may be sought on specific risks or controls. The Audit and Risk Committee regularly discusses the appropriateness of controls with the external auditor and if considered necessary would initiate an audit of a particular function.
7.4	The entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages those risks.	*Economic Sustainability* Managing economic sustainability is central to the Company's operation and ongoing viability. The most significant risk currently being managed is cash resources, and the Company's ability to secure additional revenue streams. The Company ensures its organizational structure includes appropriate resources to manage these risks. A key focus of senior executives is on securing sustaining financial resources and optimizing existing cash resources and, where required, external advisors will be engaged to assist senior executives. *Environmental Sustainability* A key focus of Alexium's product portfolio is the environmentally friendly nature of these. With this, Alexium can ensure that the environmental impact by its customers products are minimal and acceptable. Additionally, Alexium's manufacturing partners are selected in part based on their adherence to established environmental standards as well as compliance with manufacturing standards such as ISO 9001. *Social Sustainability* Social sustainability is an important aspect of Alexium's culture. Alexium values diversity in the workplace and has worked to have a diverse staff based on social, economic, and ethnic backgrounds. The staff's compensation and promotion structure is designed to encourage long-term careers. Alexium also strives to work with suppliers and consultants in our local community. For our markets as a whole, Alexium is actively engaged in key organizations for our suppliers and customers.
8.1	The board of a listed entity should: - Have a remuneration committee which has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent director; and Disclose: - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings If it does not have a remuneration committee disclose that fact and the process it follows to address that role.	The Remuneration Committee comprises of the following members, all of whom are independent non-executive Directors: • Ms Claire Poll (Chair); • Mr Stephen Cheney; and • Ms Rosheen Garnon. In addition to the Remuneration Committee members, the MD/CEO, CFO and Company Secretary regularly attend Remuneration Committee meetings. Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report. Post July 2019, the Board commenced delegating nomination committee functions to the new Nomination & Remuneration Committee. The composition of the Committee remains the same as the previous Remuneration Committee. The new Nomination & Remuneration Committee Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.

	Recommendations	Current Practice
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives	Non-executive Directors are paid fees from an aggregate sum approved by shareholders of the Company. Non-executive Directors are remunerated at a fixed fee for their time and responsibilities and their remuneration is not linked to the operating performance of the Company. There are no termination or retirement benefits for Non-executive Directors other than superannuation. During the reporting period, additional fees were paid to previous Chair, Ms Susan Thomas, in connection with performance of extra services and special exertions on behalf of the Company pursuant to section 13.9 of the Constitution. As approved by shareholders at the 2018 AGM, some Non-executive Directors elected to salary sacrifice their non-executive cash remuneration (or part of) and elected to be paid an equivalent number of performance rights. This is consistent with the Recommendations given the performance rights are not subject to performance-based vesting conditions. Remuneration of the CEO/MD and senior executives consist of a base salary, fringe benefits (including medical insurance) and performance incentives. Details of remuneration are contained in the Remuneration Report, which forms part of the Directors' Report in the Company's 2019 Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: - Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme; - Disclose that policy or a summary of it.	The Company's Securities Dealing Policy prohibits Directors and key management personnel from entering into transactions in associated products which operate to limit the economic risk of holding securities in the Company. Further, any Director or key management personnel of the Company who enters into margin lending arrangements or otherwise encumbers their securities of the Company is required to provide details of those security arrangements which may be subject to prohibitions on dealing as contained in the Securities Dealing Policy.

Your Directors present their report on Alexium International Group Limited ('Company' or 'Alexium') and the consolidated entity (referred to hereafter as 'the Group') for the period ended 30 June 2019.

DIRECTORS

The Directors of the Company in office during the period ended 30 June 2019 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- Ms Rosheen Garnon (Appointed 19 September 2018)
- Brigadier General Stephen Cheney
- Ms Claire Poll
- Dr Robert Brookins (Appointed 13 July 2018)
- Ms Susan Thomas (Resigned 31 March 2019)
- Mr Craig Metz (Resigned 14 November 2018)
- Ms Karen Thurman (Resigned 14 November 2018)

PRINCIPAL ACTIVITIES

The development of specialty chemicals where there is a market opportunity for commercialisation. During the period activities included:

- Research and development in consultation with end clients;
- Obtaining patents in relation to new products developed; and
- Commercialisation and sales of the products.

DIVIDENDS

No dividend was paid during the period and the Board has not recommended the payment of a dividend.

SHARE CAPITAL

The following were on issue:

Type	30-Jun-19	30-Jun-18
Ordinary shares	345,443,598	345,443,598
Unlisted options	2,400,000	2,400,000
Outstanding warrants	4,255,319	4,255,319
Performance rights	4,960,938	1,324,000

OPERATING AND FINANCIAL REVIEW

Operations and Technology Review

The Group's strategy and efforts to date have focused on the development and commercialisation of high-performance products for phase change material (PCM) and flame retardant (FR) applications. Over the past year, the Group has made significant commercial progress in each of its cornerstone initiatives. Key results from this reporting period are shown below:

Market penetration of Alexicool® products**:** In early FY 2019, the commercial pipeline for Alexicool® applications to textiles grew significantly with customers launching a range of new consumer products for mattress and top-of-bed applications. This pipeline drove revenue growth over the fiscal year, particularly in the second half of the fiscal year. With the number of consumer products and the market share for these products, the Group has established itself as a major supplier of PCM products in the bedding industry.

Launch of Alexicool® FM for PCM applications to foam: Building on the success of Alexicool® textile applications and the Group's network in the bedding industry, Alexicool® FM was launched this fiscal year for PCM applications to foam products. Market reception to the product performance and analytical validation has been strong, and the commercial pipeline has a number of opportunities for Alexicool® FM.

Supply agreement with multi-billion-dollar mattress manufacturer: The Group entered into a Supply Agreement with a multi-billion-dollar North American manufacturer of mattresses as the preferred supplier of phase-change-material products for textile applications to their bedding products with the intent to form a strategic partnership. Under the Supply Agreement, Alexium will provide its Alexicool® products for application across the mattress manufacturer's brands. This Supply Agreement clearly illustrates Alexium's alignment with a leader in the mattress industry to provide mattresses with improved thermal regulation.

Development Agreement for FR military uniforms: The Group announced the signing of a mutually exclusive Development Agreement with Pine Belt Processing (Pine Belt), a subsidiary of Warmkraft, Inc., covering the development and potential supply of the Group's flame-retardant chemistry for the treatment of nylon/cotton military uniforms. The agreement follows months of product refinement and testing to provide a no melt, no drip flame retardant function for standard issue US military nylon/cotton uniforms. Pine Belt has significant expertise in the treatment of US military textiles having successfully treated over 25 million US military uniforms with their proprietary insect repellent coatings. Under the terms of the Development Agreement, the Group will work with Pine Belt to comply with their production requirements and to facilitate the provision of treated uniforms by Pine Belt to the US military for limited user evaluation (LUE or "wear trials").

Commercialisation of Alexiflam® NF: The Group signed an MoU with dual listed ICL (TASE/NYSE: ICL), a specialty minerals and chemical company with a leading position globally in the production and sale of brominated and phosphorous flame retardants. The MoU establishes a framework for the potential commercialisation of the disruptive Alexiflam® NF chemistry, leveraging ICL's unrivalled global manufacturing, sales capabilities and extensive existing customer base. In support of this commercial effort, the Group announced that it had received US Environmental Protection Agency (EPA) approval under the US Toxic Substances Control Act (TSCA) for the manufacture and sale of Alexiflam® NF in the US. TSCA regulates the introduction of new chemical products in the US. This approval provides the Group with the ability to manufacture and sell the volumes of Alexiflam® NF needed to support the Company's sales targets for military and industrial application in the US,

The advances in the cornerstone initiatives have positioned the Group for a broader range of revenue streams, a more diverse customer base, and improved gross margins.

Changes to senior management during the period include Jason Lewis as Chief Financial Officer and Allen Reihman as Chief Commercial Officer, both of whom have extensive background in the specialty chemical industry. Their experiences and knowledge along guidance from the board of directors and chief executive officer position the Group to transition from its research phase to a profitable commercial concern.

Financial Result Overview

The Group's net loss attributable to members of the Group for the financial year ended 30 June 2019 was $6,939,521 (2018: $3,961,119). This represents a 75% increase in net loss over the prior period. The primary drivers behind this are described below.

Revenues from ordinary operating activities were down 58% from the prior year at $5,059,039 (2018: $11,911,816) as the company focused on commercializing speciality products with substantial profit margins and shifted away from low margin revenue streams. This decrease in revenue was partially offset by an improvement in gross profit for the period which was $1,605,742 (2018: $2,354,942) representing an average gross margin percentage across all lines of business of 32% (2018: 20%).

The Group has taken significant measures to reduce operating expenses to better position Alexium to achieve profitability. Operating costs decreased to $6,408,915 from $6,805,138 in the prior period without sacrificing the anticipated growth. Expenses are now normalized and will remain in check with the implementation refined controls and processes. We continue to evaluate supplier contracts and service agreements to ensure proper stewardship and expenditure control.

As at 30 June 2019 the cash position was $3,843,343 (2018: $10,641,763). Cash and working capital management remains a top priority. Cash burn continues to decrease on a quarterly basis as sales increase and non-essential operating costs are brought into check.

Material Business Risks

The Group has identified the below specific risks which could impact upon its prospects:

Maintaining strong intellectual property position: Product innovation is key to the Group's business model, thus maintaining a strong intellectual property position is critical. To ensure this, the Group is attentive to developing next-generation products that are not only well-differentiated in the market but are also inventive and meet market needs. Maintaining a well-educated and highly experienced technical staff will continue to be a focus for the Group.

Competition in key markets: The Group has worked diligently on its PCM-based products to ensure that market competition is well understood and that the Group's product portfolio adequately responds to these competitors. This response includes:

- Effective pricing strategies and product innovation;
- Analytical tools that provide an objective means of demonstrating the value of the Group's products over competitive products;
- Identification of market gaps where current commercial technologies are not effective; and
- Protection of Alexium's position in the marketplace by protecting intellectual property.

Sufficient capital for achieving profitability: The Group monitors and manages its resources to ensure there is sufficient capital for achieving profitability. Based on the Group's budget, the Board is confident that the Company's revenue forecasts, commercial pipeline, and funding options will ensure that the Company is sufficiently capitalised for the upcoming twelve months.

Commercial risks due to market dynamics: Beyond threats from competitors, the Group identifies changes in the markets themselves as potential risks, and they are working to mitigate these risks through diversification of its product portfolio, customer driven product innovation, and building a broader customer base.

Likely Developments

During the reporting period, the Group continued to capitalise on the work and developments over the past several years which have positioned Alexium well in terms of its three cornerstone initiatives.

In FY2020, Alexium is committed to:

- Expansion of Alexicool® FM into bedding products;
- Commercialization of FR NyCo technology for military uniforms;
- Establishing key partnerships for commercialization of Alexiflam® NF;
- Further growth of the Group's technology;
- Effective management of expenses and working capital;
- Significant growth of the Group's revenue;
- Achieving positive EBITDA; and
- Ensuring a financially strong and stable business through detailed planning, responsible management and transparency of strategy and outcomes.

The Group's business strategies to achieve the above goals include:
- Leveraging market position and Group resources for greater market penetration;
- Strengthening and maintaining key relationships supporting the Group's cornerstone initiatives; and
- Applying a disciplined and conservative approach to expenditure relative to sales growth.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Other than the items listed below, 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.

After the reporting period, the Company cleared an outstanding legal matter net cash consideration of $148,000 as referenced in note 13.

Additionally, on 14 August 2019, the Company issued 2,042,065 fully paid ordinary shares were issued to directors, current and former employees.

No other significant event has occurred since the end of the financial year that may have a significant impact on the financial position of the group.

ENVIRONMENTAL REGULATIONS

The Group's operations are currently located solely in the United States, and as such are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use.

US Laws concerning the environment that affect or could affect our operations include, among others, the Clean Water Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, regulations promogulated under these Acts, and any other federal, state or local laws or regulations governing environmental matters. We believe that we are in compliance with these laws and that future compliance will not materially affect our earnings or competitive position.

A key focus of the Group's product portfolio is the environmentally friendly nature of its products. With this, the Group can ensure that the environmental impact by its customers products are minimal and acceptable. Additionally, the Group's manufacturing partners are selected in part based on their adherence to established environmental standards as well as compliance with manufacturing standards such as ISO 9001.

For the period ended 30 June 2019, the Board is not aware of any breach of applicable environmental regulations by the Company.

INFORMATION ON DIRECTORS

The names of the Directors holding office during the period ended 30 June 2019 are set out below, together with details of Directors' experience, qualifications, special responsibilities and other company directorships during the past three financial years.

Ms Rosheen Garnon

Ms Garnon has been an independent Non-Executive Director of the Company since 19 September 2018. She was appointed Non-Executive Chair of the Board of Directors on 31 March 2019. Ms Garnon is currently Chair of the Audit & Risk Committee and a member of the Remuneration Committee.

Experience:

Ms Garnon has had a distinguished career in the accounting profession as a chartered accountant and taxation advisor. She was a senior partner with KPMG and held senior executive leadership roles with the Firm in Australia and at a global level. Ms Garnon was a member of the KPMG

Australian Executive Leadership Team for 6 years as the National Managing Partner for the Taxation Division. She has extensive experience of working with Boards and C Suite executives.

Ms Garnon's qualifications include a Bachelor of Economics (Accounting Major) and Bachelor of Laws from the Australian National University. She is a Fellow of Chartered Accountants in Australia and New Zealand, a Chartered Tax Advisor and a Graduate of the Australian Institute of Company Directors.

Ms Garnon is a Non-Executive Director of Australian Rail Track Corporation; a Non-Executive Director of The Smith Family; a Non-Executive Director of Creative Partnerships Australia; and a Non-Executive Director of Women Corporate Directors. She is also a Member of the Board of Taxation, an independent advisory board, that advises the Federal Treasurer and the Assistant Treasurer on Australia's taxation policy, as well as a Member of the Australia Council for the Arts' Major Performing Arts Panel.

Qualifications: BEc (Accounting major), LLB, FCA, CTA, GAICD

Other listed directorships in the past 3 financial years: N/A

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
Australian Rail Track Corporation	21-Nov-18	Current
The Smith Family	Feb-19	Current
Australian Business Arts Foundation Limited trading as Creative Partnerships Australia	May-13	Current
Women Corporate Directors Limited	2012	Current

Residence: Ms Garnon is an Australian resident and resides in Sydney, New South Wales.

Brigadier General Stephen Cheney

General Cheney has been an independent Non-Executive Director of the Company since 15 April 2015. He was appointed Deputy Non-Executive Chair of the Board of Directors on 11 April 2018. General Cheney is a member of the Remuneration Committee and a member of the Audit & Risk Committee.

Experience:
General Cheney is the former Inspector General of the Marine Corps and Commanding General of Parris Island Marine Base. He is also the former Deputy Executive Secretary to US Defence Secretary Dick Cheney under President George H.W. Bush. General Cheney sat on Secretary of State John Kerry's Foreign Affairs Policy Board and is CEO of the Washington D.C. based policy group, American Security Project.

Qualifications: USMC (ret)

Other listed directorships during the past 3 financial years: N/A

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
American Security Project	2007	Current

Ms Claire Poll

Ms Poll has been an independent Non-Executive Director of the Company since 11 December 2017. Ms Poll is also the Chair of the Remuneration Committee and member of the Audit & Risk Committee.

Experience:
Ms Claire Poll is an experienced corporate director having led, over the past 20 years, strategy and corporate development for start-up technology companies through to large multi-billion-dollar companies in Australia, the United Kingdom (UK) and more recently the United States (US).

Ms Poll, who originally qualified as a solicitor in Western Australia, has worked as a non-executive director, corporate executive and general counsel in private and public listed companies in the US, UK and Australia in the areas of venture capital, mobile satellite communications, information technology and biopharmaceuticals.

Ms Poll started her corporate career with Burns Philp & Company Limited, the diversified global company involved in food manufacturing, shipping and general trading. Ms Poll is a founding executive of Nasdaq and AIM listed Verona Pharma plc (AIM: VRP; Nasdaq: VRNA) and a non-executive director of Landgate.

Qualifications: BA B.JURIS. LLB ASIA

Ms Poll received a Bachelor of Law from the University of Western Australia and holds a post graduate diploma in Applied Corporate Finance, M&A and Advanced Industrial Equity Analysis.

Other listed directorships in the past 3 financial years:

Company	Commenced	Ceased
Verona Pharma plc	Sep-06	September 2016

Other directorships in the past 3 financial years:

Company	Commenced	Ceased
Landgate	Jan-12	Current
Presbyterian Ladies College	Sep-17	Current

Residence: Ms Poll is an Australian resident and resides in Perth, Western Australia.

Dr Robert Brookins

Dr Brookins was appointed as the Company's Chief Executive Officer and Managing Director on 13 July 2018.

Experience:
Dr Brookins has more than 15 years of experience in organic synthesis and materials chemistry. He received his Ph.D. from the University of Florida in the areas of synthesis and characterisation of conjugated polyelectrolytes and polymers with an emphasis on developing new polymerisation methods. Upon completion of his Ph.D., he worked at the US Air Force Research Laboratory at Tyndall AFB, FL where he developed decontamination methods for chemical and biological threats and developed novel synthetic routes for reactive and functional surfaces. In 2010, Dr Brookins joined Alexium where he and his team pioneered new classes of flame retardants for key textile markets. Additionally, his research focuses on phase change materials, particularly novel application methods and analytical tools.

Dr Brookins has been instrumental in the research and development of the Company's innovative technologies. Dr Brookins led the development and commercialisation of Alexium's phase change material (PCM) platform technologies and the Alexicool® product line, which is the foundation of the Company's recent success in sales to the bedding and top-of-bed markets.

Dr Brookins has, during his 8 years with the Company, been involved in multiple facets of the business, including working with customers on product design and marketing, analysing markets to assess opportunities, and planning for logistics and supply-chain management. In addition, Dr Brookins co-invented Alexium's flame retardant (FR) technologies for military uniforms and formaldehyde-free, flame retardant products for cotton-based materials. Dr Brookins has been immersed in the operations and strategy of the business and has gained significant experience working within the senior leadership team of the Company.

Qualifications : PhD., M.A.E. B.A. B. Sc

Other listed directorships in the past 3 financial years: N/A

Other directorships in the past 3 financial years: N/A

Residence: Greer, South Carolina, USA

Other Directors in office during the reporting period:

Director	Office held	Commenced	Ceased
Ms Susan Thomas	Non-Executive Chair	11-Dec-17	31-Mar-19
Mr Craig Metz	Non-Executive Director	01-Dec-14	14-Nov-18
Ms Karen Thurman	Non-Executive Director	02-Mar-17	14-Nov-18

Ms Susan Thomas

Ms Susan Thomas (LLB B. Com) has had a distinguished career in law, corporate finance and IT. Ms Thomas began her career as a corporate lawyer with Freehill, Hollingdale & Page in Sydney. During the 1990s, Ms Thomas established and grew FlexiPlan Australia, a successful investment administration platform sold later to MLC. Sourcing strategic partners, growing administered funds to $1.7billion, as well as overseeing over 140 staff, Ms Thomas' achievements saw her acknowledged as an industry leader by the financial planning community. Ms Thomas is also a Senior Executive Coach at Foresight Global Coaching, working with C-suite executives.

Mr Craig Metz

Mr Metz (J.D. Juris Doctor) is a Partner in the Washington, DC Office of Nelson Mullins Riley and Scarborough LLP, an *AM LAW 100* Firm. He has more than 30 years of experience in Federal Legislative and Regulatory Affairs, with a background in Defence and Information Technology, as well as in the representation of a variety of corporate clients. Mr Metz served as the Chief of Staff to the Late Congressman Floyd Spence during his six-year Chairmanship of the United States House of Representatives Armed Services Committee and he was a Counsel to the United States Senate Labour and Human Resources Committee. He has also been appointed to positions in the Executive Branch of the Federal Government, including, serving in the Senior Executive Service. Prior to entering private practice, Mr Metz represented the Federal Government Relations interests of the EMC Corporation, which was acquired by Dell in 2016, and is now Dell EMC. A native of South Carolina, Mr Metz is a member of the Bars of South Carolina and the District of Columbia. He is the recipient of the Order of the Palmetto, the highest civilian honour of the State of South Carolina, as well as a number of other recognitions from the South Carolina Military Department.

Ms Karen Thurman

Ms Thurman (BA, Post Baccalaureate) was elected to the US House of Representatives in 1992 and consecutively re-elected four additional terms Ms Thurman is an expert on healthcare, veteran's affairs, and tax reform. Ms Thurman served on the House Ways and Means Committee, where she fought for affordable prescription drugs, increased access to health insurance, and tax relief. Congresswoman Thurman has also served on both the House Agriculture Committee and the Committee on Government Reform & Oversight. Ms Thurman continues to advocate on issues in D.C. and is well regarded on both sides of the House.

COMPANY SECRETARY

Ms Maja McGuire was appointed Company Secretary on 27 February 2018. Mrs McGuire combines her company secretarial duties with her role as General Counsel and brings to the role 10 years' experience in the provision of corporate and compliance advice, including working with listed companies as general counsel, company secretary and in top tier private practice. She holds a B.Com and LLB from the University of Western Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the reporting period ended 30 June 2019, and the number of meetings attended and number of meetings applicable based on appointment/resignation date for each Director were:

Directors	Board of Directors	Audit & Risk Committee	Remuneration Committee
Ms Rosheen Garnon	7/7	2/2	-
Mr Stephen Cheney	9/9	-	4/4
Ms Claire Poll	9/9	1/1	4/4
Dr Robert Brookins	9/9	-	-
Ms Susan Thomas	6/6	3/3	4/4
Mr Craig Metz	3/3	2/2	-
Ms Karen Thurman	3/3	2/2	-

The Board and committees meet regularly on an informal basis in addition to the above meetings.

REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

A. Key Management Personnel
B. Remuneration Policy
C. Remuneration Governance
D. Consequence on Shareholder Wealth
E. Details of Remuneration
F. Service Agreements
G. Performance Rights
H. Share-based Compensation
I. Additional Disclosures Relating to Key Management Personnel
J. Loans to Key Management Personnel

The information provided in this Remuneration Report has been audited as required under section 308(3C) of the Corporations Act (Cth).

A. Key Management Personnel

For the purposes of this report personnel deemed Key Management Personnel ('KMP') at any time during the reporting period ended 30 June 2019 are:

Name	Position	Appointed	Resigned
Ms Rosheen Garnon	Executive Chair Non-Executive Director	31-Mar-19 19-Sep-18	
Brigadier General Stephen Cheney	Non-Executive Director		
Ms Claire Poll	Non-Executive Director		
Dr Robert Brookins	Chief Executive Officer		
Mr Jason Lewis	Chief Financial Officer	28-Sep-18	
Mr Allen Reihman	Chief Commercial Officer	28-Sep-18	
Ms Susan Thomas	Executive Chair		31-Mar-19
Mr Craig Metz	Non-Executive Director		14-Nov-18
Ms Karen Thurman	Non-Executive Director		14-Nov-18
Mr Aaron Krech	Former Chief Financial Officer		30-Sep-18

B. Remuneration Policy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract and retain suitably qualified and experienced candidates. The Company is in the process of conducting a review of the remuneration framework with a goal of ensuring that remuneration is aligned with performance and the creation of value for shareholders. The Group's remuneration framework aims to ensure that:

- Rewards reflect the competitive global market in which the Group operates;
- Incentive remuneration is linked to KPI's, which are designed to encourage behaviours that will lead to short and medium to long-term;
- Rewards to executives are linked to the creation of value to shareholders;
- Executives are rewarded for both financial and non-financial performance; and
- Remuneration arrangements ensure equity between executives and facilitate the deployment of human resources.

The Board seeks independent advice on remuneration policies and practices. In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities are carried out by General Stephen Cheney, Ms Claire Poll and Ms Rosheen Garnon.

Non-Executive Director Remuneration Policy
Fees and payments to the Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Director's fees and payments are reviewed by the remuneration committee to ensure they are appropriate and in line with the market. Non-Executive Directors receive a fixed fee for service.

The Non-Executive Directors' fees are determined within an aggregate director's' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $375,000 per annum and was approved by shareholders at the 2016 Annual General Meeting.
No retirement benefits are provided other than compulsory superannuation.

Executive Remuneration Policy
The Company's Executive Director and other Executives remuneration packages contain the following key elements:

- **Primary benefits** – base salary, short-term incentives, superannuation or pension contributions and in the case of US based executives a health benefit plan.
- **Equity** – performance rights and shares under the Company's Performance Rights Plan and Incentive Share Plan (as approved by shareholders at the 2016 Annual General Meeting).

The combination of these components comprises the Executive Directors' and Executive's total remuneration.

External remuneration information provides benchmark information to ensure remuneration is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed salary increase included.

C. Remuneration Governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for:

- Reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- Ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- Recommending to the Board the remuneration of executive and non-executive Directors;
- Fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- Reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- Reviewing and approving the remuneration of direct reports to the Chief Executive Officer/Managing Director, and as appropriate other senior executives; and
- Reviewing and approving any equity-based plans and other incentive schemes.

The Corporate Governance Statement provides further information on this Committee.

D. Consequence on Shareholder Wealth

In considering the performance of the Group and the benefits for shareholder wealth, the Remuneration Committee has regard to a range of indicators in respect of senior executive remuneration and have linked these to the previously described short- and long-term incentives.

The following table presents these indicators over the past five financial years, taking into account dividend payments, share price changes and returns of capital during the financial years:

	2019	**2018**	**2017**	**2016[(1)]**	**2015[(1)]**
Net profit/ (loss)	**(6,939,521)**	(3,691,119)	(9,136,923)	(10,912,499)	(8,993,390)
Dividends declared	**Nil**	Nil	Nil	Nil	Nil
Share price as at 30 June (A$)	**0.155**	0.120	0.560	0.700	0.630
EPS (cents)	**(2.01)**	(1.22)	(3.03)	(4.93)	(4.42)

(1) Net loss for fiscal year 2015 and 2016 were originally reported in AUD. These totals reflect the USD equivalent at the average exchange rate for the year

E. Details of Remuneration

Details of the remuneration of the KMP of the Group is set out below:

	Short-term benefits				Share-based payments		Other Benefits				
	Salary and fees	Non-Monetary benefits	Bonus (3)	Other	Performance Rights (1)	Shares in lieu of salary (2)	Super-annuation	Long-term benefits	Termination Benefits	Total	Performance based % of Total
2019											
Non-Executive Directors											
Ms R Garnon	39,021	-	-	2,742	-	21,750	3,758	-	-	67,271	0.0%
B.G. S Cheney	57,068	-	-	-	-	14,183	-	-	-	71,251	0.0%
Ms C Poll	57,208	-	-	-	-	-	-	-	-	57,208	0.0%
Ms S Thomas	26,250	-	-	115,426(4)	-	52,500	-	-	-	194,176	0.0%
Mr C Metz	24,194	-	-	-	-	-	-	-	-	24,194	0.0%
Ms K Thurman	22,333	-	-	-	-	-	-	-	-	22,333	0.0%
Total	226,074	-	-	118,168	-	88,433	3,758	-	-	436,433	
Managing Directors											
Dr R Brookins	305,001	10,231	71,040	-	83,794	-	-	-	-	470,066	32.9%
Total	305,001	10,231	71,040	-	83,794	-	-	-	-	470,066	
Executives											
Mr J Lewis	166,154	10,630	38,400	48,000(5)	15,440	-	-	-	-	278,624	19.3%
Mr A Reihmam	164,423	8,585	36,000	50,222(6)	14,475	-	-	-	-	273,705	18.4%
Mr A Krech (7)	46,282	2,688	-	-	-	-	-	-	80,876	129,846	0.0%
Total	376,859	21,903	74,400	98,222	29,915	-	-	-	80,876	682,175	
Total	907,934	32,134	145,440	216,390	113,709	88,433	3,758	-	80,876	1,588,674	

(1) Performance Rights Plan details are found at Note 16
(2) Rights granted to directors in lieu of salary have vested at 30 June 2019 but not been issued as at that date
(3) Short-term incentive plans paid as a cash bonus were awarded on 30 June 2019 for the achievement of a range of financial and non-financial corporate objectives during the current fiscal year. The percentage of bonus granted for all KMP's was 80% and 20% was forfeited due to not meeting all of the performance criteria. Performance criteria included;

- Financial - EBIT and revenue growth within key partners
- Non-Financial - Securing supply contracts and licensing agreements with key partners

(4) Executive remuneration as permitted under section 13.9 of the Constitution was payable to Susan Thomas for services performed in addition to her role as Non-Executive Chair on behalf of the Company. This work was required during this transition of the Company in relation to business plans, review of the Company's skills matrix, and development of new financial models. These fees are in line with market comparable rates and due to the short-term nature of this work, the Board were of the view that it was more appropriate to manage through additional fees rather than create an Executive Chair position.
(5) Sign-on bonuses awarded after six months of service equivalent to 20% of annual salary
(6) Relocation reimbursement and sign-on bonuses awarded after six months of service equivalent to 20% of annual salary
(7) Resigned 30 September 2018

	Short-term benefits				Share-based payments		Other Benefits				
	Salary and fees	Non-Monetary benefits	Bonus	Other	Performance Rights	Shares in lieu of salary	Super-annuation	Long-term employee benefits	Termination Benefits	Total	Performance based % of Total
2018											
Non-Executive Directors											
Brig. Gen. S Cheney	53,718	-	-	-	-	-	-	-	-	53,718	0.0%
Ms C Poll	27,542	-	-	-	-	-	-	-	-	27,542	0.0%
Ms S Thomas	33,599	-	-	60,301(3)	-	-	-	-	-	93,900	0.0%
Mr C Metz	57,259	-	-	-	-	-	-	-	-	57,259	0.0%
Ms K Thurman	54,228	-	-	-	-	-	-	-	-	54,228	0.0%
Mr G Rezos	135,726	11,436	-	-	-	-	-	-	-	147,162	0.0%
Total	362,072	11,436	-	60,301	-	-	-	-	-	433,809	
Managing Directors											
Mr N Clark (1)	15,000	2,403	-	-	-	-	-	-	-	17,403	0.0%
Mr D Van Hyning (2)	278,771	14,918	-	-	-	-	-	-	23,333	317,022	0.0%
Total	293,771	17,321	-	-	-	-	-	-	23,333	334,425	
Executives											
Dr R Brookins	186,672	9,064	-	12,388	12,799	-	-	-	-	220,923	5.8%
Mr A Krech	184,167	4,630	-	1,676	7,813	-	-	-	-	198,286	3.9%
Total	370,839	13,694	-	14,064	20,612	-	-	-	-	419,209	
Total	1,026,682	42,451	-	74,365	20,612	-	-	-	23,333	1,187,443	

(1) Mr Rezos served as Executive Chair in the 2017 financial year and transitioned to Non-Executive Chair on 1 July 2017

(2) Resigned 1 August 2017

(3) During the year Dr Van Hyning was a director from 13 November 2017 until resignation on 31 May 2018. He is to be paid seven months' severance which will cease on 31 December 2018.

(4) Paid leave benefit earned in the period ended 30 June 2018

(5) Executive remuneration as permitted under section 13.9 of the Constitution was payable to Susan Thomas for services performed in addition to her role as Non-Executive Chair on behalf of the Company. This work was required during this transition of the Company in relation to business plans, review of the Company's skills matrix, and development of new financial models. These fees are in line with market comparable rates and due to the short-term nature of this work, the Board were of the view that it was more appropriate to manage through additional fees rather than create an Executive Chair position.

F. Service Agreements

On appointment, the Non-Executive Directors enter into an agreement with the Company in the form of a letter of appointment. The letter outlines the Board's policies and terms, including remuneration relevant to the office of director.

The Company has also entered into service agreements with other executives as noted below, which contain standard terms and conditions for agreements of this nature, including confidentiality restraint on competition and intellectual property provisions. These agreements may be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions. Specific terms and conditions of the service agreements of the KMP at the end of the financial period are summarised below:

Dr Robert Brookins, Managing Director/ Chief Executive Officer

- Term: the initial term of the Service Agreement is 12 months commencing on 1 August 2018 and thereafter on 6 months' notice from either party.
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A base salary of $296,000 year, to be reviewed annually.
- Incentive: Potential short-term and long-term incentive opportunities as determined by the Board of Directors.
- Termination: Mr Brookins may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Brookins or make a payment of 6 months' salary in lieu of notice.

Mr Jason Lewis, Chief Financial Officer

- Term: the initial term of the Service Agreement is 12 months commencing on 18 September 2018 and thereafter on 6 months' notice from either party.
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A base salary of $240,000 year, to be reviewed annually.
- Incentive: Potential short-term and long-term incentive opportunities as determined by the Board of Directors.
- Termination: Mr Lewis may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Lewis or make a payment of 6 months' salary in lieu of notice.

Mr Allen Reihman, Chief Commercial Officer

- Term: the initial term of the Service Agreement is 12 months commencing on 19 September 2018 and thereafter on 6 months' notice from either party.
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A base salary of $225,000 year, to be reviewed annually.
- Incentive: Potential short-term and long-term incentive opportunities as determined by the Board of Directors.
- Termination: Mr Reihman may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Reihman or make a payment of 6 months' salary in lieu of notice.

G. Performance Rights

The Directors and other KMPs of the Company were issued or are entitled to the following share-based remuneration during the reporting period. 2,283,464 performance rights were granted (2018: 165,576) with a value of $217,868 (2018: $113,887). 25,128 performance rights were forfeited (2018: 99,284) with a value of $7,813 (2018:93,275) due to service terms not being met.

The valuation of performance rights granted and vested as remuneration of the KMP of the Group during the reporting periods is detailed below:

	2019			2018		
	Granted During the year (1)	**Value of performance rights vested in year**	**Forfeited in year**	Granted During the year (2)	Value of performance rights exercised in year	Forfeited in year
Non-Executive Directors						
Ms R Garnon	-	-	-	-	-	-
Brig. Gen. S Cheney	-	-	-	-	-	-
Ms C Poll	-	-	-	-	-	-
Ms S Thomas	-	-	-	-	-	-
Mr C Metz	-	-	-	-	-	-
Ms K Thurman	-	-	-	-	-	-
Total Directors	-	-	-	-	-	-
Managing Directors						
Dr R Brookins	128,123	83,794	-	12,799	-	-
Total Managing Directors	128,123	83,794	-	12,799	-	-
Executives						
Mr J Lewis	46,320	15,440	-	-	-	-
Mr A Reihmam	43,425	14,475	-	-	-	-
Mr A Krech	-	-	(7,813)	7,813	-	-
Total Executives	89,745	29,915	(7,813)	7,813	-	-
Total Directors and Executives	217,868	113,709	(7,813)	20,612	-	-

(1) Performance rights issued have a performance period ending 30 June 2019 and vest over a three-year period ending 30 Jun 2021
(2) Performance rights issued have a performance period ending 31 December 2018 and vested immediately

The number of performance rights in the Company held during the financial year by each KMP, including their personally related parties, is set out below:

2019	Balance at start of year Number	Granted during year as remuneration Number	Vested during year Number	Forfeited during year Number	Balance at end of year Number
Non-Executive Directors					
Ms R Garnon	-	-	-	-	-
Brig. Gen. S Cheney	-	-	-	-	-
Ms C Poll	-	-	-	-	-
Ms S Thomas	-	-	-	-	-
Mr C Metz	-	-	-	-	-
Ms K Thurman	-	-	-	-	-
Total Directors	-	-	-	-	-
Managing Directors					
Dr R Brookins	41,164	1,241,420	619,261	-	1,282,584
Total Managing Directors	41,164	1,241,420	619,261	-	1,282,584
Executives					
Mr J Lewis	-	537,829	179,276	-	537,829
Mr A Reihmam	-	504,215	168,072	-	504,215
Mr A Krech	25,128	-	-	(25,128)	-
Total Executives	25,128	1,042,044	347,348	(25,128)	1,042,044
Total Directors and Executives	66,292	2,283,464	966,609	(25,128)	2,324,628

2018	Balance at start of year Number	Granted during year as remuneration Number	Vested during year Number	Forfeited during year Number	Balance at end of year Number
Non-Executive Directors					
Brig. Gen. S Cheney	-	-	-	-	-
Ms C Poll	-	-	-	-	-
Ms S Thomas	-	-	-	-	-
Mr C Metz	-	-	-	-	-
Ms K Thurman	-	-	-	-	-
Mr G Rezos	-	-	-	-	-
Total Directors	-	-	-	-	-
Managing Directors					
Mr N Clark	-	-	-	-	-
Dr D Van Hyning	-	99,284	-	(99,284)	-
Total Managing Directors	-	99,284	-	(99,284)	-
Executives					
Dr R Brookins	-	41,164	-	-	41,164
Mr A Krech	-	25,128	-	-	25,128
Total Executives	-	66,292	-	-	66,292
Total Directors and Executives	-	165,576	-	(99,284)	66,292

Performance rights details as at 30 June 2019:

	Number of performance rights granted during 2019	Grant Date	Vesting Date	Expiry Date	FV per Right at Grant Date
Executives					
Dr R Brookins	1,241,420	Various	Various	Various	Various
Mr J Lewis	537,829	28/03/19	Various	28/03/22	0.155
Mr A Reihmam	504,215	28/03/19	Various	28/03/22	0.155

The performance rights had vesting criteria based on the following performance and market conditions:

- Share price appreciation

H. Share-based Compensation

The Director's and other KMP's of the Company were issued or are entitled to the following share-based remuneration during the reporting period:

- Options - Nil Options were issued during the current or prior reporting period
- Shares - 921,414 shares (2018: Nil) with a value of $88,433 (2018: Nil) in lieu of salary
- Performance Rights - 2,283,464 Performance Rights (2018: 165,576) with a value of $217,868 (2018: $113,887)

Options:

No options were granted to directors during the 2019 or 2018 financial years. The movement in the number of options held by the Key Management Personnel, including their personally related parties, are set out below:

2019	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options vested and exercisable at end of year
Non-Executive Directors						
Ms R Garnon	-	-	-	-	-	-
Brig. Gen. S Cheney	750,000	-	-	-	750,000	750,000
Ms C Poll	-	-	-	-	-	-
Ms S Thomas	-	-	-	-	-	-
Mr C Metz	750,000	-	-	-	750,000	750,000
Ms K Thurman	-	-	-	-	-	-
Total Directors	1,500,000	-	-	-	1,500,000	1,500,000
Managing Directors						
Dr R Brookins	-	-	-	-	-	-
Total Managing Directors	-	-	-	-	-	-
Executives						
Mr J Lewis	-	-	-	-	-	-
Mr A Reihmam	-	-	-	-	-	-
Mr A Krech	-	-	-	-	-	-
Total Executives	-	-	-	-	-	-
Total Directors and Executives	1,500,000	-	-	-	1,500,000	1,500,000

2018	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options vested and exercisable at end of year
Non-Executive Directors						
Brig. Gen. S Cheney	750,000	-	-	-	750,000	750,000
Ms C Poll	-	-	-	-	-	-
Ms S Thomas	-	-	-	-	-	-
Mr C Metz	750,000	-	-	-	750,000	750,000
Ms K Thurman	-	-	-	-	-	-
Mr G Rezos	-	-	-	-	-	-
Total Directors	1,500,000	-	-	-	1,500,000	1,500,000
Managing Directors						
Mr N Clark	-	-	-	-	-	-
Dr D Van Hyning	-	-	-	-	-	-
Total Managing Directors	-	-	-	-	-	-
Executives						
Dr R Brookins	-	-	-	-	-	-
Mr A Krech	-	-	-	-	-	-
Total Executives	-	-	-	-	-	-
Total Directors and Executives	1,500,000	-	-	-	1,500,000	1,500,000

Shares:

The value of shares issued or agreed to be issued during the year was $88,433 (2018: $Nil) which was calculated based on an issue price of AUD$0.1334 and was approved at the 2018 Annual General Meeting on 14 November 2018. The issue price represents volume weighted average closing price of shares on ASX in the fourteen trading days prior to 14 September 2018.

The movement in the number of shares held by the Key Management Personnel, including their personally related parties, are set out below:

	Balance at start of year	Granted during year as remuneration in lieu of salary	Received during year on conversion of performance rights	Received during year on exercise of options	Other changes during year	Balance at end of year
Non-Executive Directors						
Ms R Garnon	-	227,159	-	-	-	227,159
Brig. Gen. S Cheney	71,572	147,653	-	-	-	219,225
Ms C Poll	28,572	-	-	-	-	28,572
Ms S Thomas	285,715	546,602	-	-	-	832,317
Mr C Metz	28,572	-	-	-	-	28,572
Ms K Thurman	14,286	-	-	-	-	14,286
Total Directors	428,717	921,414	-	-	-	1,350,131
Managing Directors						
Dr R Brookins	3,162,240	-	-	-	(42,240) (1)	3,120,000
Total Managing Directors	3,162,240	-	-	-	(42,240)	3,120,000
Executives						
Mr J Lewis	-	-	-	-	-	-
Mr A Reihmam	-	-	-	-	-	-
Mr A Krech	80,000	-	-	-	-	80,000
Total Executives	80,000	-	-	-	-	80,000
Total Directors and Executives	3,670,957	921,414	-	-	(42,240)	4,550,131

(1) Correction to total shares held overstated in previous period

2018	Balance at start of year	Granted during year as remuneration in lieu of salary	Received during year on conversion of performance rights	Received during year on exercise of options	Other changes during year	Balance at end of year
Non-Executive Directors						
Brig. Gen. S Cheney	43,000	-	-	-	28,572	71,572
Ms C Poll	-	-	-	-	28,572	28,572
Ms S Thomas	-	-	-	-	285,715	285,715
Mr C Metz	-	-	-	-	28,572	28,572
Ms K Thurman	-	-	-	-	14,286	14,286
Mr G Rezos	26,100,000	-	-	-	585,715	26,685,715
Total Directors	26,143,000	-	-	-	971,432	27,114,432
Managing Directors						
Mr N Clark	9,060,070	-	-	-	(5,880,070)	3,180,000
Dr D Van Hyning	790,000	-	-	-	14,286	804,286
Total Managing Directors	9,850,070	-	-	-	(5,865,784)	3,984,286
Executives						
Dr R Brookins	2,774,500	-	-	-	387,740	3,162,240
Mr A Krech	80,000	-	-	-	-	80,000
Total Executives	2,854,500	-	-	-	387,740	3,242,240
Total Directors and Executives	38,847,570	-	-	-	(4,506,612)	34,340,958

I. Additional Disclosures Relating to Key Management Personnel

The interests of the Directors and other KMP of the Group in the shares and options of Alexium International Group Limited is set out below.

	No. of ordinary shares	No. of performance rights	No. of options over ordinary shares
Non-Executive Directors			
Ms R Garnon	227,159	-	-
Brig. Gen. S Cheney	219,225	-	750,000
Ms C Poll	28,572	-	-
Ms S Thomas	832,317	-	-
Mr C Metz	28,572	-	750,000
Ms K Thurman	14,286	-	-
Total Directors	1,350,131	-	1,500,000
Executives			
Dr R Brookins	3,120,000	1,282,584	-
Mr J Lewis	-	537,829	-
Mr A Reihmam	-	504,215	-
Mr A Krech	80,000	-	-
Total Executives	3,200,000	2,324,628	-
Total Directors and Executives	4,550,131	2,324,628	1,500,000

J. Loans to Key Management Personnel

No loans have currently been provided to KMP of the Group.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION/WARRANT

As at the date of this report there were 6,665,319 unlisted options and warrants (2018 - 2,400,000).

Details of these options are as follows:

Date Options Granted	Expiry Date	Exercise price of shares	No. under options
01/10/15	30/09/20	A$ 0.75	1,500,000
04/11/16	04/11/19	A$ 0.75	300,000
04/11/16	04/11/19	A$ 1.25	300,000
04/11/16	04/11/19	A$ 1.75	300,000
27/09/17	27/09/22	A$ 0.35	4,255,319
		Total	6,655,319

No option/warrant holder has any right under the options/warrants to participate in any other share issue of the Company or any other entity. The options/warrants are exercisable at any time after vesting and on or before the expiry date. Refer to Note 16 for details of the movements of the options during the year and ASX announcements for options exercised subsequent to the year end and to the date of this report.

The Group has 2,956,744 performance rights on issue (2018: 1,324,000). These rights have been allocated to staff based on the rules set forth in the performance rights plan.

INSURANCE OF OFFICERS

During the reporting period, the Group paid a premium in respect of a contract ensuring the Directors and Officers of the Company against a liability incurred as a Director or Officer to the extent permitted by the Corporations Act 2001 (Cth). Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of the economic entity, or to intervene in any proceedings to which the entity is a party, for the purpose of taking responsibility on behalf of the entity for all or part of those proceedings. No proceedings have been brought or intervened in or on behalf of the entity with leave of the Court under section 237 of the Corporations Act 2001 (Cth).

ROUNDING OFF AMOUNTS

Amounts in the financial statements and Directors' report are presented in US dollars and all values are rounded to the nearest dollar, unless otherwise stated.

INDEMNITY OF AUDITORS

The Company has agreed to indemnify their auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that Alexium will meet the full amount of any such liabilities including a reasonable amount of legal costs.

NON-AUDIT SERVICES

The Company's auditor, Grant Thornton Audit Pty Ltd corporate tax group has provided tax services to the Group beginning with the tax year ending 30 June 2019

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is attached.

This report is made in accordance with a resolution of the Directors.

Rosheen Garnon

Rosheen Garnon
Chair
Dated 30 September 2019

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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 audit of Alexium International Group Limimted for the year ended 30 June 2019, 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

M J Hillgrove
Partner – Audit & Assurance

Perth, 30 September 2019

		Consolidated	
		2019	2018
	Note	**US$**	US$
Revenue	3	**5,059,039**	11,911,816
Cost of sales		**(3,453,297)**	(9,556,874)
Gross Profit		**1,605,742**	2,354,942
Administrative expenses	4	**(3,609,008)**	(3,171,158)
Sales and marketing expenses		**(1,282,435)**	(1,237,986)
Research and development costs		**(413,074)**	(724,727)
Occupancy expenses		**(557,287)**	(453,126)
Other expenses		**(547,111)**	(1,218,141)
Loss before finance costs		**(4,803,173)**	(4,450,196)
Interest expense		**(2,793,604)**	(2,297,626)
Gain on debt extinguishment	14	**-**	396,591
Gain/ (Loss) on embedded derivative	14	**629,642**	2,369,993
Interest received	3	**27,614**	20,119
Total finance costs		**(2,136,348)**	489,077
Loss before tax		**(6,939,521)**	(3,961,119)
Tax expense	7	**-**	-
Loss for the year after tax		**(6,939,521)**	(3,961,119)
Other comprehensive income - Exchange differences on translation of foreign operations which will subsequently be reclassified to profit or loss		**(31,893)**	694,044
Total comprehensive loss for the year		**(6,971,414)**	(3,267,075)
Loss for the year attributable to members of the group		**(6,939,521)**	(3,961,119)
Total comprehensive loss for the year attributable to members of the group		**(6,971,414)**	(3,267,075)
Basic and diluted loss per share (cents)	8	**(2.01)**	(1.22)

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

		Consolidated	
		2019	2018
	Note	**US$**	US$
Current Assets			
Cash and cash equivalents	18	**3,843,343**	10,641,763
Trade and other receivables	9	**962,023**	513,800
Inventories	10	**1,153,453**	1,516,548
Other current assets		**74,917**	69,876
Total Current Assets		**6,033,736**	12,741,987
Non-Current Assets			
Other financial assets		**17,982**	20,788
Property, plant and equipment	11	**1,727,001**	1,955,519
Intangible assets	12	**1,778,484**	761,150
Total Non-Current Assets		**3,523,467**	2,737,457
Total Assets		**9,557,203**	15,479,444
Current Liabilities			
Trade and other payables	13	**1,558,500**	438,793
Borrowings	14	**170,974**	243,667
Total Current Liabilities		**1,729,474**	682,460
Non-Current Liabilities			
Borrowings	14	**6,786,592**	7,180,965
Derivative liability	14	**658,141**	630,983
Total Non-Current Liabilities		**7,444,733**	7,811,948
Total Liabilities		**9,174,207**	8,494,408
Net Assets		**382,996**	6,985,036
Equity			
Contributed equity	15	**54,367,832**	54,367,832
Reserves	17	**5,078,244**	6,423,821
Accumulated losses		**(59,063,080)**	(53,806,617)
Total Equity		**382,996**	6,985,036

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

	Contributed equity $	Options Premium Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2018	**54,367,832**	**5,634,968**	**652,423**	**136,430**	**(53,806,617)**	**6,985,036**
Change in accounting estimate (1)	-	-	-	**(1,695,787)**	**1,695,787**	-
Loss for the period	-	-	-	-	**(6,939,521)**	**(6,939,521)**
Foreign currency translation	-	-	**(593)**	**(18,571)**	**(12,729)**	**(31,893)**
Total comprehensive income / (loss)	-	-	**(593)**	**(18,571)**	**(6,952,250)**	**(6,971,414)**
Transactions with owners in their capacity as owners:						
Issued Capital	-	-	-	-	-	-
Capital Raising Costs	-	-	-	-	-	-
Performance Rights Expense	-	-	**280,941**	-	-	**280,941**
Options Exercised	-	-	-	-	-	-
Share-based payment in lieu of salary	-	-	**88,433**	-	-	**88,433**
Balance at 30 June 2019	**54,367,832**	**5,634,968**	**1,021,204**	**(1,577,928)**	**(59,063,080)**	**382,996**

(1) Accumulated Losses and Foreign Currency Reserve balances at 1 July 2018 were adjusted from the 30 June 2018 balances reported in the FY 2018 Annual Report to reflect a reallocation of $1,695,786 between the two accounts related to the foreign currency translation.

	Contributed equity $	Options Premium Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2017	45,833,450	5,856,738	619,640	(2,287,525)	(49,853,653)	168,650
Loss for the period					(3,961,119)	(3,961,119)
Foreign currency translation	(1,494,807)	(221,770)	(21,489)	2,423,955	8,155	694,044
Total comprehensive income / (loss)	(1,494,807)	(221,770)	(21,489)	2,423,955	(3,952,964)	(3,267,075)
Transactions with owners in their capacity as owners:						
Issued Capital	10,106,575					10,106,575
Capital Raising Costs	(468,358)					(468,358)
Performance Rights Expense		-	54,272	-		54,272
Options Exercised	338,244					338,244
Share-based payment in lieu of salary	52,728					52,728
Balance at 30 June 2018	54,367,832	5,634,968	652,423	136,430	(53,806,617)	6,985,036

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

	Note	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers and other income		**4,844,649**	12,437,167
Payments to suppliers and employees		**(8,052,450)**	(16,881,341)
Interest received	3	**27,614**	20,119
Interest and other costs of finance paid		**(1,219,230)**	(1,231,830)
Goods & services tax received from ATO		**57,876**	97,195
Net cash flows (used in) operating activities	18(b)	**(4,341,541)**	(5,558,690)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(90,683)**	(41,797)
Purchase of other non-current assets		**(60,000)**	-
Proceeds from disposal of property, plant and equipment		-	1,500
Payments for development costs		**(987,153)**	(662,653)
Net cash flows (used in) investing activities	18(c)	**(1,137,836)**	(702,950)
Cash flows provided by financing activities			
Proceeds from borrowings		-	9,600,000
Transaction cost related to loans and borrowings		-	(453,979)
Repayment of borrowings		**(1,258,696)**	(5,178,869)
Proceeds from exercise of options		-	360,677
Proceeds from issue of ordinary shares		-	10,520,333
Transaction costs related to issue of shares		-	(521,978)
Net cash flows from / (used in) financing activities		**(1,258,696)**	14,326,184
Net increase / (decrease) in cash and cash equivalents		**(6,738,073)**	8,064,544
Cash and cash equivalents at beginning of year		**10,641,763**	2,620,759
Effect of exchange rate changes on cash and cash equivalents		**(60,347)**	(43,540)
Cash and cash equivalents at end of year	18(a)	**3,843,343**	**10,641,763**

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

1. CORPORATE INFORMATION

The consolidated financial statements of Alexium International Group Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 30 September 2019. Alexium International Group Limited ('Company' or 'Parent') is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. 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. This presentation aligns the Company's financial reporting with the nature of the business operations which primarily occur in the United States. This financial report, the comparative period within, and all future financial reports, are presented in US Dollars.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 (Cth). The Group is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals 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.

Separate financial statements for the Company as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001 (Cth), however, required financial information for the Company as an individual entity is included in Note 23.

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

New and revised accounting standards and amendments that are currently issued for and adopted during the reporting periods that are relevant to the Group include:

AASB 9 *Financial Instruments*

AASB 9: Financial Instruments replaces AASB 139: Financial Instruments; Recognition and Measurement Requirements introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model on credit losses. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The effective date is for annual reporting periods beginning on or after 1 January 2018.

AASB 9 introduces changes to classification and measurement of financial assets and is required to be applied retrospectively to comparative periods in accordance with AASB 108. Subsequent to initial recognition, financial assets are measured at:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Under the new model, FVPL is a residual category. Financial assets are classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

AAB 9	AASB 139	
Classification and measurement	**Classification**	**Resulting measurement**
Amortised cost	Loans and receivables	Amortised cost
FVPL	FVPL	FVPL
FVOCI	Available for sales	FVOCI
	Held to Maturity	Amortised cost

Further, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting. A 'simplified' model applies for trade receivables with maturities of less than 12 months, which make up the bulk of the Group's financial assets. Under the 'simplified' approach, short term trade receivables will recognise 'lifetime expected credit losses' from the first reporting period. These are the credit losses expected over the term of the receivable.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward- looking information to calculate the expected credit losses using a provision matrix. At the reporting date expected lifetime credit losses are nil.

Under AASB 9, fair value changes of liabilities designated at FVPL are presented as follows (AASB 9.5.7.7):

- The fair value changes attributable to changes in the liability's credit risk are recognised in OCI Fair value through other comprehensive income (FVOCI).
- The remaining changes in fair value are recognised in profit or loss.

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried at fair value with gains or losses recognised in profit or loss.

Financial Instruments held by the Group and Assessment of Impact:

Financial Assets/Liabilities	Comparison and Impact	
	AASB 139 (Previous Standard)	**AASB 9 (New Standard)**
Loans and receivables • Trade and other receivables	Recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer possible. Bad debts are written off when identified	No changes in initial recognition, impairment to be recognised using the 'simplified model'. An estimated of bad debts expenses must be provided in period of recognition of the receivable.
FVPL • Other financial assets	Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit and loss which are measured initially at fair value	No changes in initial recognition and subsequent measurement.
Trade and other payables	Trade and other payables are carried at amortised cost.	No changes in initial recognition and subsequent measurement.
Borrowings and derivatives • Convertible notes	There is no difference in accounting for derivative liabilities and borrowings between AASB 139 and AASB 9.	There is no difference in accounting for derivative liabilities and borrowings between AASB 139 and AASB 9.

The only impact on the Group from implementation of AASB 9 is the application of the 'simplified model' for impairment of trade and other receivables, most of which have maturities less than 12 months. Based on this assessment, the Company has undertaken a detailed assessment of the standard and determined that there is no impact on the transactions and balances recognised in the financial statements.

AASB 15 *Revenue from Contracts with Customers*

AASB 15: Revenue from Contracts with Customers replaces AASB 118: Revenue, AASB 111: Construction Contracts and several revenue-related Interpretations. The introduction of AASB 15 is intended to replace existing accounting guidance and introduce a comprehensive revenue recognition model aimed at enhancing comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

AASB 15 outlines the accounting requirements for when and how revenue is recognized using one core principle: "Recognize 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." This is accomplished by using a 5-step recognition process consisting of the following:

1.) Identifying the contract with a customer – The Group receives written communication from its customers in the form of purchase orders or emails. Each party's rights are clearly defined including volumes, price, payment terms, and shipping date. Purchase orders from customers have a financial consideration that is based on the price per pound of product being sold at a given volume of chemistry requested by the customer. A sales order is not issued until it is probable the consideration is collectable. All customers are evaluated at inception or credit worthiness, and at every purchase order to review outstanding balances and probability of payment.

2.) Identifying the performance obligations - Management has identified the sole performance obligation of these contracts to be the complete transfer of the goods to the customer. In accordance with AASB 15.24, there are no additional goods or services, warranties, repurchase agreements, or public return policies, or other limitations of the seller that would not allow its performance obligation to be considered complete at this time of transfer. The Group considers the transfer complete in line with "FOB Shipping Point" International Commercial Terms and recognizes the completion of this performance obligation when the chemicals are shipped.

3.) Determining the transaction price - Pursuant to AASB 15.47, the Group considers the transaction price to be the amount of consideration to which it expects to be entitled in exchange for transferring promised goods to a customer. As and when a performance obligation is satisfied an entity should recognize revenue to the extent of the transaction price allocated to that performance obligation considering the impact of constraints arising from variable consideration. While the transaction prices vary across customers, this does not constitute variable consideration. Discounts do occur in the normal course of business, but these considerations are not determined beyond inception of the purchase order nor are they promised or implied. They are also not retroactive in nature and would impact prices only on future purchases. With this in mind, and pursuant to AASB 15.20, these changes in price would constitute a separate contract as the performance obligations for the new price would be "distinct" and the new price would reflect appropriate adjustments to that price to reflect the circumstances of the particular contract.

Variable consideration includes discounts, rebates, refunds, credits, incentives, performance bonuses/penalties, contingencies, price concessions, or similar items. Variability in consideration can arise from either the amount being:
- Variable as explicitly stated in the contract or arising from customary business practice of the entity or
- Fixed but its receipt is contingent on the occurrence of a future event.

The Company follows AASB15.48 when taking into account variable considerations. The below is an analysis of how the guidance is applied to all current contracts with customers:
- Variable Consideration - The Company reviews and considers all aspects of customer contracts for variable considerations that would impact the recognition of revenue.
- Constraining estimates of variable consideration – Estimates are created and recorded when they are deemed highly probable to occur given consideration for factors outside the Group's control, uncertainty around resolution for a long period time and experience with similar contracts.
- The existence of a significant financing component in the contract - Each invoice has specified payment terms. All amounts are expected to be received at these terms. Based on AASB 15.63, the Company need not adjust for a financing component if it is reasonably expected the customer pays for the goods in less than a year.
- Non-cash consideration – As a normal practice, the Group does not have non-cash considerations with customers. However, the company would calculate a fair value of the non-cash consideration and apply the requirements based on paragraphs 56-58 of the standard.
- Consideration payable to a customer – If a contract has a payable consideration, the Group would satisfy the standard by netting the

consideration against the determined transaction price once the following events occurs:

- The Group recognises revenue for the transfer of goods of service to the customer; and
- The Group pays or promises to pay the consideration.

4.) Allocating the transaction price to the performance obligations - Given that there is a single performance obligation to each contract, and the price is clearly identified in the contract, the Group allocates the full contract price to the transfer of goods discussed in Step 2.

5.) Recognize revenue when/as performance obligation(s) are satisfied- The final step is to determine when revenue should be recognized for the single performance obligation: whether over time or at a point in time. In accordance with the standard, at contract inception an entity must determine whether control of the goods transfer to the customer over time using the criteria outlined in AASB 15.35-37. The Group considered the criteria and concluded that that it is appropriate to recognize revenue at a point in time. For each contract, management must determine the specific point in time at which it is appropriate to recognize revenue for the contract.

AASB 15 states that an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset.
- The entity has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

As described above, AASB 15 provides certain indicators of the transfer of control. The list is not exclusive, nor must the conditions all be met for an entity to conclude that control of a good or service has been transferred. When assessing control, an entity should evaluate the point in time at which the customer can direct the use of, and obtain substantially all remaining benefits from, the asset. Management recognizes that the application of the control criteria requires judgment and there are various factors to consider. Accordingly, management believes that control is transferred in accordance with the shipping terms, as this is the point that the customer obtains legal title, when customer obtains the risk and rewards of ownership, and when the customer has an obligation to pay for the asset. Once this performance obligation is satisfied and control of the asset has been transferred revenue is recognized as earned based on the determined transaction price which considers variable pricing and allocation of price based on performance obligations.

The Group has evaluated adoption methods, and determined the modified retrospective is most appropriate. Under the modified retrospective method, no cumulative impact was noted or recognised at the date of initial application (1 July 2018).

(c) Impact of standards issued but not yet applied by the Group

AASB 16 *Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Under the new standard, a lessee is required to: (a) recognise all right of use assets and lease liabilities, except for short-term (under 12 months) and low value leases, on the statement of financial position. The liability is initially measured at the present value of future lease payments for the lease term; (b) recognise depreciation of right of use assets and interest on lease liabilities in profit or loss over the lease term; and (c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the statement of cash flows.

The new standard:

- Replaces AASB 117 Leases and some lease-related Interpretations.
- Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases.
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting.
- Largely retains the existing lessor accounting requirements in AASB 117.
- Requires new and different disclosures about leases.

The Company will implement the new standard using the modified retrospective method also known as the cumulative catch-up approach. Under the modified retrospective method, the cumulative impact (if any) will be recognized at the date of initial application (July 1, 2019). The modified retrospective permits the measurement of the right-of-use asset equal to the lease liability.

Under a modified retrospective approach, the Company

- Calculates lease assets and lease liabilities as at the beginning of the current period;
- Does not restate its prior-period financial information;
- Recognises an adjustment in equity at the beginning of the current period; and
- Carries forward all existing finance lease liabilities;
- Makes additional disclosures specified in the new standard and is exempt from certain of the disclosures usually required by paragraph 28 of AASB 108 on a change in accounting policy

The Company has undertaken a detailed assessment of the impact of AASB 16 and determined the Standard will have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. The group has commitments for minimum lease payments totalling $890,440 over the next five years, see Note 24. Management has estimated that the initial right of use asset and corresponding lease liability recorded at implementation will be approximately $890,440.

The directors have reviewed all other new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Company accounting policies. These accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards.

(d) Group Accounting Policies

Fair Value of Assets and Liabilities
The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13: *Fair value measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(e) Principles of Consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the Group. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(f) Foreign currency translation

The consolidated financial statements are presented in United States dollars ($). The functional currency of the parent company is Australian Dollar and the functional currencies of the Company’s overseas subsidiaries are the Pound Sterling and the US Dollar.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date and exchange differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. All resulting exchange differences are recognised on other comprehensive income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All resulting exchange differences are recognised on other comprehensive income.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Alexium International Group Limited at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised on other comprehensive income.

On disposal of a foreign entity, the cumulative exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

(g) Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses in Note 2(i).
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets
The Group uses finance leases for several pieces of analytical equipment used in our research and product development. Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. See below accounting policy for the depreciation methods and useful lives for assets held under finance leases.
The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Beginning in the period ending 30 June 2020, the Group will adopt *AASB 16 Leases* which requires recognition of all right of use assets and lease liabilities, except for short-term (under 12 months) and low value leases, on the statement of financial position. See Note 2(c).

Subsequent costs
The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative years are as follows:

Asset Type	Years
Computer equipment	3 years
Machinery and equipment	3 to 15 years
Furniture, fixtures and office equipment	3 to 10 years
Leased plant and equipment	Shorter of the lease term or the useful life

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(h) Intangible assets

Acquired intangible assets
Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see Note 2(i).

Internally Generated Intangible Assets
Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred. Expenditure on the research phase of projects to develop new specialty chemicals is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

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

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortisation
A summary of the policies applied to the consolidated entity's intangible assets is as follows:

Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each reporting date.

Capitalised development costs, patents, and trademarks with a finite life are amortised as follows:

- Patents and Trademarks: Lesser of 20 years or average remaining life of patents and trademarks,
- Capitalised development costs: Over future periods on a basis related to expected future benefits, and
- Software: Lesser of 5 years or average remaining life of software benefit.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists (see Note 2(i)). Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(i) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the assets is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less cost to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Trade and other receivables

Trade receivables, which generally have 30 to 60-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off and recognised in profit and loss when identified.

(k) Determination and presentation of operating segments

For management purposes, the Group is organised into one main operating segment which involves the development and commercialisation of its proprietary flame retardant and phase change material technologies and selling its specialised chemistry to customers. All the Group's activities are interrelated, and discrete financial information is reported to the Chief Executive Officer (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.
The Group has applied *AASB 8 Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Board considers the business from both a product and a geographical perspective and takes the view that the Group operates under one operating segment.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

In the periods presented the corporation does not have any financial assets measured at amortized cost

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.
In the periods presented the corporation does not have any financial assets categorised as FVOCI.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. At the reporting date expected lifetime credit losses are nil.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(n) Embedded Derivative

The Group has issued liability classified embedded derivatives in connection with its convertible debt. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

(o) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

(q) Contributed equity

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.

(r) Revenue recognition

In accordance with the standard, revenue is recognised and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset [AASB 15.31] and no additional goods or services, warranties, repurchase agreements, or public return policies, or other limitations exist that that would not allow the Company to consider its performance completed at this time of transfer. The Company considers the transfer complete in line with “FOB Shipping Point” Incoterms and recognizes the completion of this performance obligation when the finished product is shipped.

Sale of goods

Revenue is recognised and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. AASB 15 - Revenue from Contracts with Customers outlines the accounting requirements for when and how revenue is recognized using one core principle: “Recognize 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.“ This is accomplished by using a 5-step recognition process consisting of the following:

1.) *Identify the contract* - The Group utilizes a set of criteria to clearly identify the existence of contracts with customers, which includes contract approval by both parties, identification of each parties’ rights and commitments, determination of payment terms, presence of commercial substance and a probability consideration will be collected.

2.) *Identify the performance obligations* - The Group has identified the sole performance obligation of customer contracts to be the complete transfer of the goods to the customer. In accordance with AASB 15.24, there are no additional goods or services, warranties, repurchase agreements, or public return policies, or other limitations of the seller that would not allow the Company to consider its performance completed at this time of transfer. The Company considers the transfer complete in line with “FOB Shipping Point” Incoterms and recognizes the completion of this performance obligation when products are shipped.

3.) *Determine the transaction price* - The Company considers the transaction price to be the amount of consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. As and when a performance obligation is satisfied the Group recognizes revenue to the extent of the transaction price allocated to that performance obligation taking into account the impact of constraints arising from variable consideration [AASB 15.46].

4.) *Allocate the transaction price to separate performance obligations* - Given that there is a single performance obligation to each contract, and the price is clearly identified in the contract, the Company allocates the full contract price to the transfer of goods discussed in Step 2, with the exception of combined contracts noted as having variable consideration.

5.) *Recognize revenue when each obligation is satisfied* - at contract inception The Group has determined that the sole performance obligation is the complete transfer of goods to the customer. The Company must then determine the specific point in time at which it is appropriate to recognize revenue for the contract. AASB 15 states that an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following

The following specific recognition criteria must be met before revenue is recognised on sale of goods:

- Company has a present right to payment for the asset;
- Customer has legal title to the asset;
- Company has transferred physical possession of the asset;
- Customer has the significant risks and rewards of ownership of the asset; and
- Customer has accepted the asset.

Management recognizes that the application of the control criteria requires judgment and there are various factors to consider, as described above. Accordingly, management believes that control is transferred in accordance with the shipping terms, as this is the point that the customer obtains legal title, when customer obtains the risk and rewards of ownership, and when the customer has an obligation to pay for the asset.

The standard discusses that an entity should consider whether there is any agreement to repurchase the asset transferred to the customer, or a component. This topic is not applicable to the Company as it is not the practice nor discussed in any contracts.

Management recognizes that contracts / arrangements could change as the Company enters into new markets and expands its customer base. Management will continue to monitor any changes to ensure the accounting is in line with the context of AASB 15.

Interest and dividends
Interest income is recorded when earned based on cash balances. Interest expenses are reported on an accrual basis using the effective interest method. Dividends are recognised at the time the right to receive payment is established.

(s) Income tax and other taxes

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:
- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the net profit attributable to members of the parent entity for the reporting year, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares of EPS calculation purposes), by weighted average number of ordinary shares of the Group, adjusted for any bonus issue.

(u) Employee benefits

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Long-Term Employee Benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, irrespective of when the actual settlement is expected to take place.

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Employee benefit expenses are presented separately on the face of the statement of profit or loss and other comprehensive income. There are no employee-benefit expenses recognised within cost of sales.

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(v) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis; and
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(w) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Share-based payments
The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

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 takes into account 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. See Note 22(f) for further disclosures.

Intangible Assets
The Group assess 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. In the twelve months ended 30 June 2019 no impairment was identified. See Note 12 for further disclosures.

(x) 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, continued reduction in expenses, and capital infusion. The group also has a loan of $9,000,000 due for repayment on 29 September 2020. The ability of the Group to continue as a going concern is dependent upon the group meeting its intended revenue forecasts and for the group to raise additional equity and/ or new loan to enable the loan to be repaid.

During the financial year ended 30 June 2019, the Group generated a loss of $6,939,521 (2018: $3,961,119) and the Group has used cash in operating and investing activities of $5,479,377 (2018: $6,261,640). As at 30 June 2019 the Group had net assets of $382,996 (2018: $6,985,036) and a cash balance of $3,843,343 (2018: $10,641,763). These matters give rise to a material uncertainty that may cast doubt whether the Group can continue as a going concern and realise its assets and pay its liabilities and commitments in the normal course of business.

There is sufficient working capital to support the committed research and commercialisation activities over the next twelve months. The Directors are of the opinion that sufficient additional funding will be secured in the coming period and are reviewing all potential alternatives of funding the business. The directors are satisfied that the Group can successfully fund the business based on preliminary planning sessions and review of all possible capital opportunities available.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group successfully funding the business in the next twelve months. Accordingly, the directors have prepared the financial report on a going concern basis. However, the Directors note that if sufficient funds are not raised through the aforementioned sources, the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial report.

3. REVENUE & OTHER INCOME

	2019	2018
Sale of goods	**5,225,286**	11,911,816
Rebates	**(166,247)**	-
	5,059,039	11,911,816
Interest received	**27,614**	20,119

4. ADMINISTRATIVE EXPENSES

	2019	2018
Employee benefits expense- Admin	**2,662,003**	1,570,689
Professional fees	**653,150**	913,983
Other administrative expenses	**165,844**	558,151
Insurance expenses	**128,011**	128,335
Total administrative expenses	**3,609,008**	3,171,158

5. DEPRECIATION AND AMORTISATION EXPENSE

	2019	2018
Depreciation	**338,240**	294,385
Amortisation	**17,411**	13,384
Total depreciation and amortisation expenses	**355,651**	307,769

6. AUDITORS' REMUNERATION

The Group's auditor is Grant Thornton Australia.

	2019	2018
Amount received or due and receivable by Grant Thornton Australia for:		
(a) an audit or review of the financial report of the entity and any other entity in the consolidated group	**154,341**	110,519
(b) Other services in relation to the entity and any other entity in the consolidated group	**7,043**	6,441
	161,384	116,960
Amount received or due and receivable by related practices of Grant Thornton for:		
(a) an audit or review of the financial report of the entity and any other entity in the consolidated group	**-**	-
(b) Other services in relation to the entity and any other entity in the consolidated group	**-**	-
	-	-

7. TAXATION

	2019	2018
(a) Income tax recognised in profit and loss		
Profit /(loss) before tax	(6,939,521)	(3,961,119)
Prima facie tax on operating loss before income tax at 27.5%	(1,908,368)	(1,089,308)
Deferred tax asset not recognised	(331,123)	(4,358)
Tax effect of permanent differences:		
Meals and entertainment	10,611	18,144
Interest on convertible note	399,648	192,241
Fair value movement	(173,152)	-
Share-based payments expense	48,720	(23,993)
Lobbying expenses	1,219	66,000
Differences in jurisdictional tax rates	333,306	(367,032)
Tax losses not brought to account	1,619,139	1,980,285
Income tax benefit attributable to reversal of deferred tax liability on intangible assets	-	771,979

(b) Deferred tax assets		
Deferred tax assets at 30 June brought to account:		
Employee benefits	1,339	576
Accrued expenses	23,902	20,231
Expenses deducted over 5 years	83,671	117,776
Income tax losses	1,583,548	790,037
	1,692,460	928,620
(c) Deferred tax liability		
Unrealised FX	1,334,855	848,378
Basis difference on fixed assets	357,605	80,242
	1,692,460	928,620
(d) Net deferred tax position		
Deferred tax assets	1,692,460	928,620
Deferred tax liabilities	1,692,460	928,620
Net deferred tax position	-	-
(e) Deferred tax assets not recognised		
Charitable contributions	23,978	24,874
Accrued and prepaid expenses	174,965	20,709
Basis difference on intangibles and start-up costs	-	498
Deferred revenue	-	-
163(j) limitation	-	238,420
Income tax losses	8,507,735	7,511,434
Net deferred tax position	8,706,678	7,795,935

No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised. The Group has estimated unrecouped income tax losses of $43,498,0181 (2018: $34,990,238) which may be available to offset against taxable income in future years.

The benefit of these losses and timing differences will only be obtained if there is sufficient probability that taxable profits will be generated by the Group in future periods.

Deferred tax assets and liabilities which relate to income taxes levied by the same taxation authority are offset where the Group intends to settle those tax assets and liabilities on a net basis.

8. EARNINGS PER SHARE

Classification of securities as ordinary shares
The Group has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares
There are currently no securities to be classified as dilutive potential ordinary shares on issue.

	2019 Number	2018 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**345,443,598**	325,688,534
	$	**$**
Basic loss	**(6,939,521)**	(3,961,119)
Basic / Diluted loss per share	**(0.0201)**	(0.0122)

The above calculation does not include instruments that could potentially dilute basic earnings per share in the future as these instruments were anti-dilutive in the years presented. A summary of such instruments is as follows:

Equity securities

	2019	2018
	Number	Number
Options over ordinary shares	**2,400,000**	2,400,000
Warrant options	**4,255,319**	4,255,319
Performance rights	**4,960,938**	1,324,000
	11,616,257	7,979,319

As the Group has incurred a loss for the year, the diluted earnings per share is therefore disclosed as the same as the basic earnings per share.

9. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade debtors	**943,027**	487,353
Other receivables	**18,996**	26,447
	962,023	513,800

None of the trade and other receivables are past due or impaired.

10. INVENTORIES

	2019	2018
Raw materials	**699,183**	1,224,267
Finished goods	**462,500**	292,281
Provision for obsolescence	**(8,230)**	-
Total inventory	**1,153,453**	1,516,548

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Furniture & Equipment	Leased assets	Construction in Progress	Total
Balance at 30 June 2017	1,813,506	860,970	-	2,674,476
Additions	42,646	342,907	-	385,553
Disposals	(187,257)	(197,060)	-	(384,317)
Foreign exchange movements	1,066	-	-	1,066
Balance at 30 June 2018	1,669,961	1,006,817	-	2,676,778
Additions	**134,987**	**-**	**9,450**	**144,437**
Disposals	**(119,601)**	**-**	**-**	**(119,601)**
Transfers	**9,450**	**-**	**(9,450)**	**-**
Foreign exchange movements	**(2,646)**	**-**	**-**	**(2,646)**
Balance at 30 June 2019	**1,692,151**	**1,006,817**	**-**	**2,698,968**
Depreciation and impairment				
Balance at 30 June 2017	457,240	340,379	-	797,619
Depreciation	194,350	100,035	-	294,385
Disposals	(173,736)	(197,061)	-	(370,797)
Foreign exchange movements	52	-	-	52
Balance at 30 June 2018	477,906	243,353	-	721,259
Depreciation	**203,740**	**134,500**	**-**	**338,240**
Disposals	**(86,099)**	**-**	**-**	**(86,099)**
Foreign exchange movements	**(1,433)**	**-**	**-**	**(1,433)**
Balance at 30 June 2019	**594,114**	**377,853**	**-**	**971,967**
Net book value				
At 30 June 2017	1,356,266	520,591	-	1,876,857
At 30 June 2018	1,192,055	763,464	-	1,955,519
At 30 June 2019	**1,098,037**	**628,964**	**-**	**1,727,001**

12. INTANGIBLE ASSETS

Cost or valuation	Patents and Trademark	Capitalized Development Costs	Software	Total
Balance at 30 June 2017	199,152	-	15,377	214,529
Additions	-	662,717	-	662,717
Written-off	-	-	-	-
Foreign exchange movements	3,187	-	-	3,187
Balance at 30 June 2018	202,339	662,717	15,377	880,433
Additions	**-**	**1,023,574**	**60,000**	**1,083,574**
Written-off	**(161,817)**	**-**	**-**	**(161,817)**
Foreign exchange movements	**-**	**-**	**-**	**-**
Balance at 30 June 2019	**40,522**	**1,686,291**	**75,377**	**1,802,190**
Amortization and impairment				
Balance at 30 June 2017	101,864	-	2,563	104,427
Amortization	10,309	-	3,075	13,384
Written-off	-	-	-	-
Foreign exchange movements	1,472	-	-	1,472
Balance at 30 June 2018	113,645	-	5,638	119,283
Amortization	**9,836**	**1,583**	**5,992**	**17,411**
Written-off	**(112,988)**	**-**	**-**	**(112,988)**
Foreign exchange movements	**-**	**-**	**-**	**-**
Balance at 30 June 2019	**10,493**	**1,583**	**11,630**	**23,706**
Net book value				
At 30 June 2017	97,288	-	12,814	110,102
At 30 June 2018	88,694	662,717	9,739	761,150
At 30 June 2019	**30,029**	**1,684,708**	**63,747**	**1,778,484**

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per 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(h) 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 placed in service.

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 FY2020 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 2019. 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.

There are important assumptions used in the valuation including the enterprise value. Management forecasts include growth rates of 0.6% to 5.8% after a technology has been commercialized, risk adjusted discount rates averaging 17.5%, obsolescence factors and royalty rates ranging from 3.0% in the first quartile to a maximum of 8.0%. The valuation was subject to stress-testing by conducting sensitivity analysis with respect to the various key assumption inputs. Management do not believe that any reasonable possible change in these assumptions would result in an impairment of either CGU technologies.

No impairment loss has been recognised for Alexiflam® and Alexicool® technologies CGUs as of 30 June 2019 (2018: $nil).

13. TRADE AND OTHER PAYABLES

	2019	2018
Trade creditors	**557,098**	259,110
Other creditors	**853,402**	179,683
Additional provisions	**148,000**	-
	1,558,500	438,793

Trade and other payable amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days or recognition. After the reporting period, the Company cleared an outstanding legal matter net cash consideration of $148,000.

14. BORROWINGS

Convertible note

On 30 September 2017 the Company entered a convertible note, secured by the Company's assets, with institutional lenders to refinance the Group's previous debt. The $10 million note carries a thirty-six-month term and 13.5% annual interest rate and is convertible into ordinary shares upon a change of control. $5 million of the proceeds from the funding was used to pay down the loan facility originated on December 30, 2016, which carried a shorter term, higher interest rate, and greater warrant coverage. During the period, the Group made a $1 million payment towards the principal balance which reduced the remaining outstanding balance to $9 million.

The Borrowings have been measured at amortised cost in accordance with AASB 9 and gain or loss is recognised in profit or loss when the borrowings are derecognised or impaired, and through the amortisation process. 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 $9 million.

	2019	2018
Loan facility carrying value	**6,596,153**	6,820,549
Remaining amortization of effective interest	**2,403,847**	3,179,451
Principal balance outstanding	**9,000,000**	10,000,000

Capital leases

The Group leases certain equipment under financing leases expiring in various years through 2023, with terms ranging from 3 to 5 years. The assets and liabilities under financing leases are initially recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. See Note 24 for further disclosures.

	2019	2018
Loan facility	-	-
Current capital leases payable	170,974	243,667
	170,974	243,667
Loan facility	6,596,153	6,820,549
Non-current leases payable	190,439	360,416
	6,786,592	7,180,965
Total Borrowings	6,957,566	7,424,632

Derivative liability

Under the loan agreement, warrants will be issued up to 20% of the borrowings, with 47 cents (adjusted to 35 cents as being the price under the December 2017 placement) exercise price, for a period of five years. The borrowing is a hybrid instrument with liability and derivative liability components. The warrants and convertible note option include an embedded derivative relating to the exercise price that needs to be measured at fair value and separated with changes in value being recorded in profit or loss. Derivative liability has been valued using a Black-Scholes option pricing model which approximates the results that would have been achieved by using a Monte Carlo binomial lattice simulation. Pricing model inputs include; exercise price (0.35), risk-free rate (1.0%), remaining term (convertible note – 1.25 years, warrants - 3.25 years) and volatility (80.91%).

	2019	2018
Derivative liability	658,141	630,983
	658,141	630,983
Change in fair value of derivative liability recorded at profit or loss	290,897	2,369,993
Prior period change in fair value of derivative liability recorded at profit or loss	338,745	-
	629,642	2,369,993

Gain on debt extinguishment

The previous loan facility of $5 million, which, was paid down at the origination of the current facility included 4,166,667 attached warrants. The warrants included an embedded derivative relating to the exercise price that was measured at fair value and separated with changes in value being recorded in profit or loss. At the time of extinguishment, the derivative liability had a carrying value of $396,591, the disposal of which is recognised on the consolidated profit and loss statement.

	2019	2018
Gain on debt extinguishment	-	396,591
	-	396,591

15. CONTRIBUTED EQUITY

	2019 Shares	2018 Shares	2019 $	2018 $
(a) Issued capital				
Ordinary shares fully paid	**345,443,598**	345,443,598	**54,367,832**	54,367,832
(b) Movement in share capital				
Balance at beginning of year	**345,443,598**	303,827,998	**54,367,832**	45,833,450
Options converted to shares	-	2,425,000	-	338,244
Capital raising	-	39,005,600	-	10,106,575
Costs of capital raising	-	-	-	(468,358)
Conversion of performance rights	-	-	-	-
Shares issued in lieu of salary and sales achievement	-	185,000	-	52,728
Shares issued in lieu of services	-	-	-	-
Foreign currency translation	-	-	-	(1,494,807)
	345,443,598	345,443,598	**54,367,832**	54,367,832
(c) Movements in performance rights				
Balance at beginning of year	**1,324,000**	-	**54,272**	-
Rights expired during year	-	-	-	-
Rights forfeited during year	**(241,220)**	-	**(180,183)**	-
Rights converted to shares during year	-	-	-	-
Rights issued, net of costs	**3,878,158**	1,324,000	**543,141**	54,272
	4,960,938	1,324,000	**417,230**	54,272

(d) Share options issued

At the year-end, there were Nil free attaching options outstanding (2018: Nil) and 2,400,000 share-based payment options outstanding (2018: 2,400,000). Refer to Note 16(c) for details of the share-based payment options outstanding.

(e) Movements in share options

2019	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	10/01/15	$0.75	30/09/20	**1,500,000**	-	-	-	**1,500,000**
Unlisted options	11/04/16	$0.75	11/04/19	**300,000**	-	-	-	**300,000**
Unlisted options	11/04/16	$1.25	11/04/19	**300,000**	-	-	-	**300,000**
Unlisted options	11/04/16	$1.75	11/04/19	**300,000**	-	-	-	**300,000**
				2,400,000	-	-	-	**2,400,000**

2018	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	09/01/14	$0.18	31/08/17	175,000	-	(175,000)	-	-
Unlisted options	13/05/15	$0.70	31/12/17	500,000	-	-	(500,000)	-
Unlisted options	13/05/15	$0.80	31/12/17	1,000,000	-	-	(1,000,000)	-
Unlisted options	20/05/15	$0.13	31/08/17	30,000	-	(30,000)	-	-
Unlisted options	05/06/15	$0.75	05/07/18	6,916,626	-	-	(6,916,626)	-
Unlisted options	08/06/15	$0.16	31/08/17	30,000	-	(30,000)	-	-
Unlisted options	10/01/15	$0.75	30/09/20	1,500,000	-	-	-	1,500,000
Unlisted options	11/04/15	$0.18	31/08/17	1,065,000	-	(1,065,000)	-	-
Unlisted options	11/09/15	$1.21	11/09/17	125,000	-	-	(125,000)	-
Unlisted options	11/09/15	$1.31	11/09/17	125,000	-	-	(125,000)	-
Unlisted options	26/02/16	$0.20	31/08/17	1,125,000	-	(1,125,000)	-	-
Unlisted options	11/04/16	$0.75	04/11/19	300,000	-	-	-	300,000
Unlisted options	11/04/16	$1.25	04/11/19	300,000	-	-	-	300,000
Unlisted options	11/04/16	$1.75	04/11/19	300,000	-	-	-	300,000
				13,491,626	-	(2,425,000)	(8,666,626)	2,400,000

(f) 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.

(g) 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.

16. SHARE-BASED PAYMENTS

The following is the summary of share-based payments expensed during the year:

	2019		2018	
	Number	**$**	Number	$
(a) Shares issued during the year	-	-	185,000	54,758
(b) Shares forfeited during the year	**(241,220)**	**(173,767)**	(431,264)	(199,597)
(c) Shares in lieu of salary	**921,414**	**88,433**	-	-
(d) Performance Rights granted	**2,956,744**	**454,708**	1,324,000	57,592
(e) Options issued during the year	-	-	-	-
Net share-based payment expense	**3,636,938**	**369,374**	**1,077,736**	**(87,247)**

(a) Shares

The equity-settled share-based payments provided during the year related to:

- Nil shares (2018:185,000 shares) issued as part of the employee share plan.
- Nil shares (2018: 431,264 shares) agreed to be issued in the prior year were forfeited during the year.
- 921,414 shares (2018: Nil) in lieu of salary.

(b) Performance rights

During the period ended 30 June 2019 3,878,158 performance rights (2018: 1,324,000) were granted for the 12-month performance period ending 30 June 2019. An operating expense of $280,941 (2018: $57,592) was recognised for the vested performance rights.

(c) Options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in share-based payment options.

	2019		**2018**	
	Number	**WAEP**	Number	WAEP
Outstanding at 1 July	**2,400,000**	**0.94**	6,575,000	0.63
Granted during the year	**-**	**-**	-	-
Reinstated during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	(2,425,000)	0.19
Expired during the year	**-**	**-**	(1,750,000)	0.84
Outstanding at 30 June	**2,400,000**	**0.94**	2,400,000	0.94

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.36 years (2018: 0.45 years), and the exercise prices range from 75 cents to 175 cents (2018: 75 cents to 175 cents).

The assessed fair values of the options were determined using a variation of the binomial option pricing model that considers factors specific to the share incentive plans.

	30-Jun-19			**30-Jun-18**		
	Number	**Average fair value per option**	**$**	Number	Average fair value per option	$
a) Directors	**1,500,000**	**0.00**	**$7,323**	-	-	Nil
b) Services rendered	**900,000**	**Nil**	**Nil**	-	-	Nil
	2,400,000		**$7,323**	-		-

The following principal assumptions were used in the valuation:

	Services Rendered			**Directors**
(No) of Options Issued	**300,000**	**300,000**	**300,000**	**1,500,000**
Spot Price of Asset	**0.155**	**0.155**	**0.155**	**0.155**
Exercise Price (A$)	**0.75**	**1.25**	**1.75**	**0.75**
Risk Free Rate (%)	**1.01%**	**1.01%**	**1.01%**	**1.01%**
Start Date	**04-11-16**	**04-11-16**	**04-11-16**	**10-01-15**
Expiry Date	**04-11-19**	**04-11-19**	**04-11-19**	**30-09-20**
Volatility	**81%**	**81%**	**81%**	**81%**

17. RESERVES

	Options Premium Reserve	Performance Rights Reserve	Foreign Currency Translation Reserve	Total
Balance at 30 June 2018	**5,634,968**	**652,423**	**136,430**	**6,423,821**
Change in accounting estimate [(1)]	-	-	**(1,695,787)**	**(1,695,787)**
Loss for the period	-	-	-	-
Foreign currency translation	-	**(593)**	**(18,571)**	**(19,164)**
Total comprehensive income / (loss)	-	**(593)**	**(18,571)**	**(19,164)**
Transactions with owners in their capacity as owners:				
Issued Capital	-	-	-	-
Capital Raising Costs	-	-	-	-
Performance Rights Expense	-	**280,941**	-	**280,941**
Options Exercised	-	-	-	-
Share-based payment in lieu of salary	-	**88,433**	-	**88,433**
Balance at 30 June 2019	**5,634,968**	**1,021,204**	**(1,577,928)**	**5,078,244**

[(1)] Accumulated Losses and Foreign Currency Reserve balances at 1 July 2018 were adjusted from the 30 June 2018 balances reported in the FY 2018 Annual Report to reflect a reallocation of $1,695,786 between the two accounts related to the foreign currency translation.

	Options Premium Reserve	Performance Rights Reserve	Foreign Currency Translation Reserve	Total
Balance at 30 June 2017	5,856,738	619,640	(2,287,525)	4,188,853
Loss for the period				-
Foreign currency translation	(221,770)	(21,489)	2,423,955	2,180,696
Total comprehensive income / (loss)	(221,770)	(21,489)	2,423,955	2,180,696
Transactions with owners in their capacity as owners:				
Issued Capital	-	-	-	-
Capital Raising Costs	-	-	-	-
Performance Rights Expense	-	54,272	-	54,272
Options Exercised	-	-	-	-
Share-based payment in lieu of salary	-	-	-	-
Balance at 30 June 2018	5,634,968	652,423	136,430	6,423,821

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows are reconciled to the related item in the statement of financial position as follows.

	2019	2018
Cash on hand	**3,843,343**	10,641,763

(b) Reconciliation of operating loss after income tax to net cash used in operating activities

	2019	2018
Operating loss after income tax	**(6,939,521)**	(3,961,119)
Non-cash items		
Depreciation and amortisation of non-current assets	**355,651**	322,907
Share-based payment	**369,374**	(87,247)
(Gain)/ Loss on Fair value movement- embedded derivative	**(629,642)**	(2,369,993)
Interest and amortization on borrowings	**1,453,261**	1,068,060
Loss on Impairment	**48,750**	-
Gain on Debt Extinguishment	**-**	(396,591)
Unrealised foreign exchange (gains) / losses	**-**	393,727
Changes in assets and liabilities net of effect of purchase of subsidiaries		
(Increase) / Decrease in trade and other receivables	**(448,223)**	583,689
(Increase) / Decrease in inventories on hand	**363,095**	90,616
(Increase) / Decrease in other current assets	**(5,041)**	7,851
Increase / (Decrease) in trade and other payables	**616,205**	(982,908)
Increase / (Decrease) in other current liabilities	**474,550**	(227,682)
Net cash (used in) operating activities	**(4,341,541)**	(5,558,690)

(c) Reconciliation to net cash used in investing activities

	2019	2018
Property, plant and equipment additions per Note 11	**(144,437)**	(385,553)
Intangible asset additions per Note 12	**(1,083,574)**	(662,717)
Non-cash items		
Addition of financing leases	**-**	342,907
Foreign exchange movement on transfers	**-**	-
(Increase) / Decrease in current liabilities	**90,175**	2,413
Net cash flows (used in) investing activities	**(1,137,836)**	(702,950)

19. RELATED PARTY TRANSACTIONS

(a) American Security Project

During the period, the following was paid to American Security Project, a related party of Brig. Gen. Stephen Cheney, Non-Executive Director:

- Nil (2018: $23,778) was for lease charges on office space in Washington D.C. which expired in March 2018

(b) Nelson Mullins Riley & Scarborough LLP

During the period, the following was paid to Nelson Mullins, a related party of Craig Metz, Non-Executive Director:

- Nil (2018: $48,000) was paid in current year, prior year the Group paid The Nardelli Group on behalf of Alexium for services related to Government Relations Activity.

(c) Transactions with key management personnel

	2019	2018
Short-term employee benefits		
Salary and fees	**907,934**	1,026,682
Non-monetary benefits	**32,134**	42,451
Other	**216,390**	97,698
Total short-term employee benefits	**1,156,458**	1,166,831
Post-employment super-annuation	**3,758**	-
Total post-employment benefits	**3,758**	-
Share-based payments- Performance rights	**113,709**	20,612
Share-based payments – Shares in lieu of salary	**88,433**	-
Total share-based payments	**202,142**	20,612
Short-Term Incentive Plan	**145,440**	-
Termination Benefits	**80,876**	-
Total incentive plan payments	**226,316**	-
Total remuneration	**1,588,674**	1,187,443

20. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment which involves the development and licensing of its proprietary flame retardant (FR) and phase change material (PCM) chemistries, reactive surface treatment (RST) technologies, and selling its specialised chemistry to customers. All of the Group's activities are interrelated and discrete financial information is reported to the Chief Executive Officer (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Geographic information of revenue and non-current assets excluding financial instruments are as follows:

2019	Australia	US	Cyprus	Total
Sales Revenue	**-**	**5,059,039**	**-**	**5,059,039**
Interest Revenue	**12,321**	**15,293**	**-**	**27,614**
Other Income	**-**	**-**	**-**	**-**
Interest Expense	**1,453,261**	**1,340,343**	**-**	**2,793,604**
Property, Plant and Equipment	**-**	**1,727,001**	**-**	**1,727,001**
Intangible assets	**-**	**1,748,455**	**30,029**	**1,778,484**
Depreciation and Amortisation	**-**	**343,880**	**11,771**	**355,651**

2018	Australia	US	Cyprus	Total
Sales Revenue	-	11,911,816	-	11,911,816
Interest Revenue	10,985	9,134	-	20,119
Other Income	437,210	(40,619)	-	396,591
Interest Expense	2,075,375	222,251	-	2,297,626
Property, Plant and Equipment	-	1,923,164	32,355	1,955,519
Intangible assets	-	672,455	88,695	761,150
Depreciation and Amortisation	2,342	291,670	13,757	307,769

Effective 1 July 2019, the directors have determined that the FR (Alexiflam®) and PCM (Alexicool®) Technologies, constitute separating operating segments for the purposes of AASB 8 as a result of the following:

- Business operations for Alexiflam® and Alexicool® are managed separately;
- The R&D activity for Alexiflam® is not incidental to the overall operations of Alexium;
- Both technologies are capable of earning revenues in their own right. This is evidenced by sales during 30 June 2019 of $117,000 for Alexiflam®.
- Sales metrics, trends in sales growth, customer base, level of capital investments and operating cash flows from 1 July 2019 will be managed on an operating segment basis.
- Management KPIs for the year commencing 1 July 2019 are set in alignment with these two operating segments.
- The directors also considered the forecast revenues from each operating segment where the revenue and profit and loss from future sales of Alexiflam® are anticipated to be more than 10% of combined revenue.

21. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Percentage Owned (ordinary shares)	
		2019 (%)	2018 (%)
Parent Entity			
Alexium International Group Limited	Australia		
Subsidiaries of Alexium International Group Limited			
Alexium Limited (1)	Cyprus	100	100
Alexium Inc. (2)	USA	100	100

(1) The parent entity has an interest free unsecured loan with Alexium Inc. amounting to $39,186,654 (2018: $40,196,893).
(2) The parent entity has an interest free unsecured loan with Alexium Ltd amounting to $291,446 (2018: $303,108).

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Group is exposed to interest rate risk through primary financial assets and liabilities. The carrying amounts of financial assets and financial liabilities held at balance date approximate their estimated net fair values and are given below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates > 1 Year	Fixed Maturity Dates 1-5 Years	Fixed Maturity Dates 5+ years	Non-Interest Bearing	Total
	%	$	$	$	$	$	$
2019							
Financial Assets							
Cash and cash equivalents	0.38	3,138,132	-	-	-	705,211	3,843,343
Trade and other receivables/other financial assets	-	-	-	-	-	962,023	962,023
		3,138,132	-	-	-	1,667,234	4,805,366
Financial Liabilities							
Trade and other payables	-	-	-	-	-	1,558,500	1,558,500
Capital Lease Liabilities	9.27	-	198,438	206,217	-	-	404,655
Convertible Note	13.50	-	-	9,000,000	-	-	9,000,000
Derivative Liability	-	-	-	658,141	-	-	658,141
	-	-	198,438	9,864,358	-	1,558,500	11,621,296
2018							
Financial Assets							
Cash and cash equivalents	0.38	10,317,995	-	-	-	323,768	10,641,763
Trade and other receivables/other financial assets	-	-	-	-	-	513,800	513,800
	-	10,317,995	-	-	-	837,568	11,155,563
Financial Liabilities							
Trade and other payables	-	-	-	-	-	438,793	438,793
Capital Lease Liabilities	9.27	-	289,572	402,232	-	-	691,804
Convertible Note	13.50	-	-	10,000,000	-	-	10,000,000
Derivative Liability	-	-	-	630,983	-	-	630,983
	-	-	289,572	11,033,215	-	438,793	11,761,580

(b) Interest rate risk

At 30 June 2019, if interest rates had increased by 1% from the yearend variable rates with all other variables held constant, post tax profit and equity for the Group would have been $38,433 higher (2018: $106,418 higher) based on cash and cash equivalents.

The 1% sensitivity is based on reasonable possible changes using an observed range of historical RBA movements over the last year.

(c) Foreign currency risk

The Group currently conducts its operations across international borders. A large proportion of the Group's revenues, cash inflows, other expenses, capital expenditure and commitments are denominated in foreign currencies, mostly with costs and income in US dollars with smaller, less frequent transactions in GBP, Euros and Australian Dollars.

The Group changed reporting currencies from Australian Dollars to US Dollars during the reporting period ended 30 June 2018. This change was made to mitigate the Group's exposure to foreign currency risk. While the majority of transactions will now have decreased risk of currency fluctuations, the Group does still conduct business, procure services, and engage in financing activities in other currencies. This will result in the income, expenditure and cash flows of the Group being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the US dollar, as determined in international markets.

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the parent or USD functional currency of US Alexium Inc. or the UK pound sterling functional currency of Alexium Ltd.

With instruments being held by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results. The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

	Net Financial Assets/(Liabilities) in USD				
	USD	AUD	GBP	Other	Total USD
2019					
Functional currency of entity:					
Australian dollar	39,186,654	-	291,446	-	39,478,100
US dollar	-	-	(560,617)	-	(560,617)
UK pound sterling	-	-	-	-	-
Statement of financial position exposure	39,186,654	-	(269,171)	-	38,917,483
2018					
Functional currency of entity:					
Australian dollar	40,196,893	-	303,108	-	40,500,001
US dollar	-	-	(571,573)	-	(571,573)
UK pound sterling	-	-	-	-	-
Statement of financial position exposure	40,196,893	-	(268,465)	-	39,928,428

The above balances relate to intercompany loans between member companies of the Group.

(d) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group does not hold any credit derivatives to offset its credit exposure. The Group's exposure to credit risk is minimal. As of 30 September 2019, Alexium had collected 100% of the receivables outstanding at 30 June 2019. Total bad debt expense for the year was nil.

As the Group does not currently have any significant debtors, lending, stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(e) Liquidity risk

The Group manages liquidity risk by continuously monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasted cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day basis, as well as based on a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or shortfalls.

As at 30 June 2019, the Group's non-derivative financial liabilities have contractual maturities as summarised below:

	Current	1-5 Years	5+ years
2019			
Trade and other payables	1,558,500	-	-
Finance lease obligations	198,438	206,217	-
Borrowings	-	10,944,000	-
Statement of financial position exposure	1,756,938	11,150,217	-
2018			
Trade and other payables	438,793	-	-
Finance lease obligations	289,572	402,232	-
Borrowings	-	13,078,750	-
Statement of financial position exposure	728,365	13,480,982	-

(f) Fair values of financial assets and liabilities

Cash and cash equivalents
The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors
The carrying amount approximates fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

As at 30 June 2019 and 2018, there were no other financial assets and liabilities other than cash, trade receivables and payables, and borrowings.

Measurement of fair value of financial instruments
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

Embedded derivatives (Level 3)
The assessed fair values of the derivatives were determined using a Black-Scholes option pricing model which approximates the results that would have been achieved by using a Monte Carlo binomial lattice simulation. 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. The embedded derivative liability is classified as non-current based on a convertible note maturity of three years and warrant expiration date of five years from the 29 September 2017 issuance date.

The following shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018

	Level 1	Level 2	Level 3	Total
2019				
Derivative Liability	-	-	658,141	658,141
Statement of financial position exposure	-	-	658,141	658,141
2018				
Derivative Liability	-	-	630,983	630,983
Statement of financial position exposure	-	-	630,983	630,983

There were no transfers Level 1 and Level 2 in 2019 or 2018.

23. PARENT ENTITY INFORMATION

The following details information related to the parent Entity, Alexium International Group Limited, at 30 June 2019. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2019	2018
Current Assets	698,849	1,458,930
Non-current assets	7,067,227	13,133,137
Total Assets	7,766,076	14,592,067
Current Liabilities	128,786	155,498
Non-current liabilities	7,254,294	7,451,533
Total Liabilities	7,383,080	7,607,031
Contributed Equity	54,367,832	54,367,832
Accumulated losses	(59,063,080)	(53,806,617)
Foreign Currency Reserves	(1,577,928)	136,430
Performance rights reserves	1,021,204	652,423
Option reserves	5,634,968	5,634,968
Total Equity	382,996	6,985,036
Loss for the year	(6,939,521)	(3,952,964)
Other comprehensive income net of tax for the year	(31,893)	685,889
Total comprehensive income net of tax for the year	(6,971,414)	(3,267,075)

The parent entity has no contingent liabilities or commitments at 30 June 2019.

24. COMMITMENTS AND CONTINGENCIES

The Group has the following contingent liabilities and commitments.

(a) Commitments

Operating leases

The Group leases certain premises under operating lease agreements. These premises are used for administration and operational activities with lease terms approximating 1-10 years. There are no contingent rent payments, and one lease is on month to month term.

Minimum future rental payments under non-cancellable leases having remaining terms in excess of one year are as follows as of June 30:

	2019	2018
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	128,259	121,395
Later than one year but not later than 5 years	762,181	586,974
	890,440	708,369

Finance leases

The Group leases certain equipment under financing leases expiring in various years through 2024, with terms ranging from 3 to 5 years. The assets and liabilities under financing leases are initially recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the shorter of their related lease terms or their estimated productive lives.

Depreciation of assets under financing leases is included in depreciation expense and totalled $134,500 and $100,035 for the years ended June 30, 2019 and 2018, respectively.

Present value of future minimum rental payments under financing leases having remaining terms in excess of one year are as follows as of June 30:

	2019	2018
Present value of future minimum rental payments under financing leases having remaining terms in excess of one year are as follows as of June 30:		
Not later than one year	**198,438**	289,572
Later than one year and not later than five years	**206,217**	402,232
Total	**404,655**	691,804
Future finance charges on finance leases	**(43,242)**	(87,721)
Present value of finance lease liability	**361,413**	604,083
Present value of finance lease liabilities totals the following as of June 30:		
Not later than one year	**170,974**	243,667
Later than one year and not later than five years	**190,439**	360,416
Total	**361,413**	604,083

Lease liabilities are secured over property, plant, and equipment. These assets will revert to the lessor in the event of a default, as described in the agreements.

Licensing agreements

Reactive Surface Treatment (RST) technology is a legacy chemistry for Alexium which is not currently utilised in any of the Company's existing FR or PCM solutions. Alexium has entered into an agreement with the United States Department of Defence whereby Alexium owns exclusive rights for the RST Technology under patent application in the United States in exchange for a 2.5% gross sales royalty to be paid to the US Government. Alexium has also entered into an agreement with Dr Owens for exclusive rights to the rest of the world, for the same patent application excluding the United States, in exchange for a 5% gross sales royalty to be paid to Dr Owens. These royalties only apply where the RST technology is used in the product production process, which does not include the Company's current fire-retardant and phase change products.

The Group had no other commitments as at 30 June 2019.

(b) Contingencies

The Group has no other contingent liabilities as at 30 June 2019.

25. DIVIDENDS

No dividend has been declared or paid during the current financial year or the prior financial year.

The Group does not have any franking credits available for current or future years as it is not in a tax paying position.

26. SUBSEQUENT EVENTS

Other than the items listed below, 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.

After the reporting period, the Company cleared an outstanding legal matter net cash consideration of $148,000 as referenced in note 13.

Additionally, on 14 August 2019, the Company issued 2,042,065 fully paid ordinary shares were issued to directors, current and former employees.

No other significant event has occurred since the end of the financial year that may have a significant impact on the financial position of the group.

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. comply with Accounting Standards and the Corporations Regulations 2001, other mandatory professional reporting requirements

    b. give a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

    c. comply with International Financial Reporting Standards as disclosed in Note 2 of the financial statements.

2. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2019, comply with section 300A of the Corporations Act 2001 (Cth).

3. 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.

4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001 (Cth).

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 30 September 2019

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Independent Auditor's Report

To the Members of Alexium International Group Limited

Report on the audit of the financial report

Qualified Opinion

We have audited the financial report of Alexium International Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of Alexium International Group Limited is in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

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

Basis for Qualified Opinion

Carrying value of capitalized development costs

The Group's capitalized development costs are carried in the statement of financial position at $1,684,708. AASB 136 *Impairment of Assets* requires the entity to perform an impairment test on annual basis to determine the assets recoverable amount. The Directors have performed impairment testing as outlined in Note 12.

As at the date of this report, we have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment that the carrying value of the capitalized development costs do not exceed their recoverable amount. Accordingly, in the event that the carrying value of the assets exceed their recoverable amount, it would be necessary for the carrying value of the assets to be written down to their recoverable amount.

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

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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* (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 qualified opinion

Material uncertainty related to going concern

We draw attention to Note 2(x) in the financial statements, which indicates that the Group incurred a net loss of $6,939,521 and had cash outflows from operating and investing activities of $5,479,377 during the year ended 30 June 2019. The Group has debt of $9,000,000 due for repayment on 29 September 2020. As stated in Note 2(x), these events or conditions, along with other matters as set forth in Note 2(x), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for Qualified Opinion* section and the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Borrowings and embedded derivative liability – refer to summary of significant accounting policy Note 2 and Note 14	
On 30 September 2017 the Company entered a convertible note, secured by the Company's assets, with institutional lenders to refinance the Group's previous debt. The $10 million note carries a thirty-six-month term and 13.5% annual interest rate and is convertible into ordinary shares upon a change of control. During the period, the Group made a $1 million payment towards the principal balance which reduced the remaining outstanding balance to $9 million. Under the loan agreement, warrants will be issued up to 20% of the borrowings, with 47 cents (adjusted to 35 cents as being the price under the December 2017 placement) exercise price, for a period of five years. Being a hybrid financial instrument, the Group is required to calculate the fair value of the derivative financial liability component of the instrument utilising complex risk adjusted valuation techniques, with the remaining balance of the fair value determined to be the debt component. This area is a key audit matter due to the complex valuation techniques required to estimate the derivative financial liability and the management assumptions required in the calculation.	Our procedures included, amongst others: • evaluating and assessing the design of controls over the processes to record, review and report the Group's debt facilities; • understanding the terms of the loan agreement and considering the appropriateness of the accounting treatment in line with accounting standards; • assessing the methodology management have used against our understanding of the inputs; • reviewing the calculation of amortised cost and interest expense of the loan to assess mathematical and clerical accuracy, as well as tracing inputs to source documentation; • tracing the funds reimbursed into the respective financial institutions; • tested the mathematical accuracy of the calculation of the derivative liability and challenging managements experts approach and assumptions in determining the fair value; and • assessing the appropriateness of the financial statement disclosures.

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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 Group's annual report for the year ended 30 June 2019, 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 we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group'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 Group 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/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 17 to 26 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Alexium International Group Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

GRANT THORNTON AUDIT PTY LIMITED
Chartered Accountants

M J Hillgrove
Partner – Audit & Assurance

Perth, 30 September 2019

The shareholder information set out below was applicable as at 16 September 2019.

Quoted equity securities
345,443,598 fully paid ordinary shares are held by 4,806 shareholders.

Unquoted equity securities

Date Options/Warrants Granted	Expiry Date	Exercise price of shares	No. under options
01/10/15	30/09/20	A$ 0.75	1,500,000
04/11/16	04/11/19	A$ 0.75	300,000
04/11/16	04/11/19	A$ 1.25	300,000
04/11/16	04/11/19	A$ 1.75	300,000
30/09/17	30/09/22	A$ 0.35	4,255,319

Shareholder distribution
The number of shareholders, by size of holding, are:

Holding Range			Holders	Total Units	% Issued Share Capital
1	-	1,000	519	229,974	0.07%
1,001	-	5,000	1,306	3,951,120	1.14%
5,001	-	10,000	741	5,965,635	1.72%
10,001	-	100,000	1,764	61,992,953	17.84%
100,001	-	999,999,999	446	275,345,981	79.24%
			4,776	347,485,663	100.00%

Unmarketable parcels

Holding Range	Holders	Total Units	% Issued Share Capital
Minimum parcel A$500 at $0.160 per unit	1,281	1,850,532	**0.53%**

Substantial holders

Rank	Name	Total Units	% Issued Share Capital
1	J P MORGAN NOMINEES AUSTRALIA	32,435,001	9.33%
2	SANDHURST TRUSTEES LTD	24,238,357	6.98%

Voting rights
The voting rights attaching to each class of equity securities are set out below:

- Ordinary shares: 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.
- Options: No voting rights.
- Warrants: No voting rights.

Stock exchange listing

- Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Ltd.

Equity Security Holders
Twenty largest holders of quoted equity securities:

Rank	Name	Total Units	% Issued Share Capital
1	J P MORGAN NOMINEES AUSTRALIA	32,435,001	9.33%
2	SANDHURST TRUSTEES LTD	24,238,357	6.98%
3	HSBC CUSTODY NOMINEES	10,842,631	3.12%
4	DR STUART LLOYD PHILLIPS &	10,002,947	2.88%
5	HSBC CUSTODY NOMINEES	10,000,000	2.88%
6	MR MARTIN KEITH THOMAS &	5,431,500	1.56%
7	LOMAND SERVICES LIMITED	5,281,500	1.52%
8	DUCKY'S LIFELINE PTY LTD	5,214,680	1.50%
9	HSBC CUSTODY NOMINEES	4,628,083	1.33%
10	CANNOW PTY LTD	4,000,000	1.15%
11	DR STUART LLOYD PHILLIPS	3,747,500	1.08%
12	DR STUART LLOYD PHILLIPS &	3,600,000	1.04%
13	FLOREANT AMBO PTY LTD	3,560,715	1.02%
14	DAVID RIVETT PTY LIMITED	3,499,538	1.01%
15	MR ANIL BHASKAR UTTURKAR &	3,100,000	0.89%
16	BNP PARIBAS NOMINEES PTY LTD	2,952,531	0.85%
17	MR ROBERT NEAL BROOKINS	2,581,000	0.74%
18	CITICORP NOMINEES PTY LIMITED	2,568,483	0.74%
19	SL & FJ PHILLIPS PENSION FUND	2,142,858	0.62%
20	BOND STREET CUSTODIANS LIMITED	2,000,000	0.58%