



ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED
ANNUAL REPORT
For the Year Ended 30 June 2020

ABN 91 064 820 408

PRESENTED IN US DOLLARS



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DIRECTORS

Ms Rosheen Garnon
Brigadier General Stephen Cheney, USMC(Ret)
Mr Simon Moore
Dr Paul Stenson
Dr Robert Brookins

COMPANY SECRETARY

Mark Licciardo and Belinda Cleminson
(Appointed 1 March 2020)
Maja McGuire (Resigned 29 February 2020)

REGISTERED OFFICE

Level 7, 330 Collins Street
Melbourne VIC 3000
Telephone: +61 8 9384 3160

AUDITORS

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

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 Limited
Home Exchange: Perth
ASX Code: AJAX



Dear Shareholders,

Three themes best describe this past year for Alexium and its shareholders which culminated amidst a global pandemic. Perseverance. Innovation. Advancement.

Perseverance

Through a collaborative approach, we were committed to adjusting our R&D, sales and other operational practices in the face of the health and economic challenges COVID-19 posed to our industry. Inside the company, we instituted new remote work/training programs and improved our facilities to create a safe working environment for our employees. Beyond our walls, we maintained steady communication and safe interaction with our customers highlighted by the launch of our redesigned website. This took a genuine commitment from everyone and I greatly appreciate the due diligence and perseverance of our team in this respect.

Innovation

Our culture of continuous improvement means we're always finding new ways to provide consumers with the latest, innovative technologies in cooling and flame-retardant solutions. The recent release of the **Alexicool® Phonon™ Perpetual Cooling Technology** represents a major game changer in bedding and other market segments such as upholstery, medical, sporting goods, outdoor apparel/accessory and others. And the flame-retardant **Alexiflam® NF Technology** treatment of natural cotton removes fiberglass from mattress barriers, providing a new solution that is both sustainable and safe. Innovation developed and ready for early stage commercialisation, which includes early evaluation by existing customers, in spite of the pandemic.

Advancement

It's pivotal to recognize the financial accomplishments captured in our quarterly earnings reports including the \$22.3m capital raise completed in January of 2020 and repayment of \$9.47m the outstanding debt (US dollars). This coupled with new commercial agreements, a strengthening sales pipeline and expanded product portfolio has Alexium well-positioned to achieve our milestones.

This year I was also pleased to welcome two new members to the Board of Directors. Paul Stenson will serve as a Non-Executive Director with a wealth of experience in advanced material sciences R&D and product launches through third party distributors. Simon Moore was also named as Non-Executive Director who brings over 20 years of experience in senior private equity roles onto our team.

In closing, Alexium is at the forefront of the industry reaching agreements with distributors to ensure our continued success for years to come. In my second year as Chair, it has been a privilege to oversee such a talented and dedicated team. Stay safe and healthy.

Sincerely,

Ms Rosheen Garnon
Chair of the Board



Dear Shareholders,

FY2020 has been a key period for Alexium as the management team put critical pieces in place to strengthen the company for sustained future growth. To achieve this, we have focused on two key points:

1. Drive our major initiatives to success.
2. Position the company with the financial and operational resources to do this.

In the annual report, you can see how we have made significant accomplishments in this regard. For our major initiatives, a number of key milestones have been achieved including:

- **Alexiflam® NF Technology Passed UL Flammability Trial:** This solution provides an advanced sustainable design for flame-retardant cotton/polyester blend sock barriers that are required for foam mattresses. It's also 100% fiberglass-free, a safer alternative that keeps fiberglass shards out of the bedroom.
- **Alexicool® Partnership with Soft-Tex International:** Reached an exclusive 2-year supply agreement with Soft-Tex to purchase Alexicool® phase-change material for bedding systems.
- **Agreement with Pegasus Home Fashions for Alexicool® Top-of-Bed Applications:** With a focus on pillows, the 2-year supply term ensures a proven distribution for Alexicool® products.

These commercial achievements speak to how we have driven the growth of the company and will continue to do so in the future.

To the second point, I'm pleased with our progress in strengthening the balance sheet and cash position after the mid-year capital raise. This allowed the company to eliminate the prior high-cost debt and to provide working capital for our initiatives. All of this works to drive growth of the company and realize the commercial value of Alexium's proprietary technologies.

Our entire Alexium team has the experience, confidence and strategy to drive through challenging times to meet our commercial targets, and we will continue to maintain a tight focus on costs and operations to manage our business responsibly considering the continuing economic environment. Thank you for your continued support as we embark on a new fiscal year.

Sincerely,

Dr. Bob Brookins
Chief Executive Officer



Your Directors present their report on Alexium International Group Limited and its subsidiaries ('Company') for the period ended 30 June 2020.

DIRECTORS

The Directors of the Company in office during the period ended 30 June 2020 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- Ms Rosheen Garnon
- Brigadier General Stephen Cheney
- Dr Robert Brookins
- Mr Simon Moore (Appointed 1 February 2020)
- Dr Paul Stenson (Appointed 15 June 2020)
- Ms Claire Poll (Resigned 1 March 2020)

PRINCIPAL ACTIVITIES

The development of advanced materials 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 (2019:nil).

SHARE CAPITAL

The following were on issue:

Type	30-Jun-20	30-Jun-19
Ordinary shares	634,456,542	345,443,598
Unlisted options	1,500,000	2,400,000
Outstanding warrants	3,829,787	4,255,319
Performance rights	2,992,160	4,960,938

OPERATING AND FINANCIAL REVIEW

Operations and Technology Review

The Company's corporate and operating activities are performed from our single facility located in Greer, South Carolina, USA. Alexium, Inc., a US formed company incorporated in 2007. The company utilizes contract manufacturers to produce finished goods; this creates a variable cost model for manufacturing overhead and allows the Company to focus efforts on product development and commercialization of high-performance products. The main product families are phase change material ("PCM") for the bedding industry and flame retardant ("FR") technologies for markets such as bedding, military, and workwear.

Alexium has made great progress during the year in the following areas:

Agreement with Pegasus Home Furnishings: The Company entered into an agreement with an initial two-year term (renewable annually after first term) to supply Alexicool® for Pegasus top of bed applications with a focus on pillows. This has been a relationship that has been ongoing since 2017.

PCM applications to foam: The Company was able to leverage the development of applying Alexicool® on foam which lead to the signing of a supply agreement with Soft-Tex International as the exclusive provider of PCM for their Reactex™ technology. This success lays the foundation for penetration into the foam market.

Perpetual Cooling Technology for Textile/Foam Products: The Company developed a unique cooling approach the provides never-ending comfort to consumer products. This IP protected technology marketed as Alexicool® Phonon™ is a lightweight product that has benefits of being adaptive/responsive cooling, non-flammable, non-toxic and is environmentally friendly. In contrast to PCM Technology, which works by absorbing heat, Phonon™ technology builds on this by counteracting the insulative effects of foam and textiles and constantly moving heat away from the consumer.

Alexiflam® NF-treated Sock for Foam Mattresses: The Company developed an application to apply the Alexiflam® NF technology to a 100% cotton-based FR sock and passed the flammability requirements under 16 CFR 1633 as regulated by the US Consumer Product Safety Commission enabling



the commercial launch of this product line. The sock's FR barrier properties provide protection for the highly flammable foam components. With these milestones completed the next step will be to scale up to production while introducing the product to new and existing customers.

Alexiflam® FR for military uniforms: In CY 2019, the Company signed a mutually exclusive Development Agreement with Pine Belt Processing (Pine Belt), a subsidiary of Warmkraft, Inc., covering the development and potential supply of the Company's flame-retardant chemistry for the treatment of nylon/cotton military uniforms. During the current year, the Company has actively worked towards commercial scale up of the product and application with Pine Belt in their facilities. The Company 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).

Commercialisation of Alexiflam® NF: The Company signed a supply and evaluation agreement for the commercialisation of Alexiflam NF® with a major flame-retardant chemical company ("Business Partner") following an MOU announced April 4, 2019. The agreement grants access to the technology for the Business Partner to actively evaluate the potential uses with target markets of global FR cotton including workwear. The Company will market the technology in FR socks for foam mattresses, cotton fleece, and military uniforms.

Financing: The Company strengthened the balance sheet and cash position by successfully executing a financing strategy of a capital raise combined with a convertible loan. The strategy raised a total of A\$22.3M that was used to pay off an existing loan of US\$9.5M (circa A\$14.0M). The balance of the proceeds after capital raise costs are to be used as working capital to fund the growth of the company. The Company also obtained \$0.5M loan from the US CARES act Paycheck Protection Program which is expected to be forgivable based on the submission of qualifying expenses.

COVID-19: With the unexpected development of the COVID-19 global pandemic, the safety and security of our employees and stakeholders became a top priority. By implementing safety protocols at the onset of the outbreak, the Company was able to respond to the unique circumstances and provide a safe working environment while continuing to serve our customers and work with our contract manufacturers and suppliers.

The financial impact of COVID-19 was focused in the fourth quarter. As local governments enacted shelter in place orders for non-essential services in early April, manufacturing plants ceased operation and product orders slowed. A rebound in sales began in May and continued into June which represented near normal return to revenue as our customers began ramping up production. Revenue and gross profit for the quarter amounted to 20.7% and 19.7% of their respective annual totals.

Operationally, the Company was able to maintain headcount throughout the fourth quarter. Travel restrictions and cancellation of industry conferences reduced travel expenses for the quarter and are expected to remain in place into the near future. Other fixed operating costs remained flat to down over the affected quarter as management continued to manage costs.

Management has taken a multifaceted approach to reviewing the balance sheet for COVID-19 related asset impairment. In estimating the recoverable amount of intangible assets as part of impairment testing, management has considered any potential impacts. The results of our assessment indicate that assets are not held at amounts higher than the recoverable amount. Further, no expected credit losses are recognised, and year end customer receivables are considered fully collectable.

In response to the unprecedented risk of economic injury, governments worldwide extended various stimulus packages to support businesses. In Australia, the "Boosting Cash Flow for Employers" program provided up to \$100,000 to eligible small and medium sized businesses in the form of a credit on BAS filings. The company was able to participate in this program and anticipates continued program credits for three quarters after year end.

In the US, the "CARES Act" provided low interest loans to support continued employment levels. The Company was granted a loan in the amount of \$460,352 funded by the Small Business Administration which is designed to be up to 100% forgivable when the funds are used for program qualifying costs. The Company anticipates full forgiveness of this loan.

As we monitor the industries served, the Company has not seen any major impacts after the initial downturn in revenue in the fourth quarter. Manufacturing in the bedding industry shows continuing activity and momentum with indications that there may be shift from traditional brick and mortar sales channels to online retail. We do not expect changes in the US military's initiative for widening use of FR to service members.

Financial Result Overview

The Company's net loss attributable to members of the Company for the financial year ended 30 June 2020 was \$6,125,476 (2019: \$6,939,521). This represents a 12% decrease in net loss over the prior period. The primary drivers behind this are described below.

Revenues from ordinary operating activities were up 20% from the prior year at \$6,078,857 (2019: \$5,059,039) as the Company continued to focus on development and expansion of the Alexicool® product line. Along with the increase in revenue the company experienced an improvement in gross profit for the period which was \$2,313,099 (2019: \$1,605,742) representing an average gross margin percentage across all lines of business of 38% (2019: 32%).

Operating costs decreased 22% to \$5,025,347 from \$6,408,915 by continued stewardship of expenditures through controls and processes.

As at 30 June 2020 the cash position was \$4,741,251 (2019: \$3,843,343). An improved cash position and balance sheet structure was achieved through a capital raise / new term loan mid-year that allowed the company to pay off a high cost loan in late December. The company was also able to obtain \$460,352 loan from the US CARES act Paycheck Protection Program.



Material Business Risks

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

Maintaining strong intellectual property position: Product innovation is key to the Company's business model, thus maintaining a strong intellectual property position is critical. To ensure this, the Company 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 Company.

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

- Effective pricing strategies and product innovation;
- Analytical tools and methods that objectively demonstrate the value of the Company's products versus competitor's; and
- Identification of market gaps where current commercial technologies are not effective

Sufficient capital for achieving profitability: The Company monitors and manages its resources to ensure there is sufficient capital for achieving profitability. Based on the Company'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 Company 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.

Covid-19 Impact: COVID-19 presents business challenges due to the uncertainty of long-term impact to consumer spending and potential supply-chain disruption in the bedding related Industry. The Company is proactively managing the circumstances as it evolves to protect employees and stakeholder's interests.

Likely Developments

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

In FY2021, Alexium is committed to:

- Continued expansion of Alexicool® FM into bedding products;
- initiate limited user evaluation of FR NyCo technology for military uniforms;
- Develop key partnerships for commercialization of Alexiflam® NF;
- First revenues from Alexiflam® FR Sock
- Increased expansion of revenue outside of the US.
- Significant growth of the Company'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 Company's business strategies to achieve the above goals include:

- Leveraging market position and Company resources for greater market penetration;
- Strengthening and maintaining key relationships supporting the Company's initiatives; and
- Applying a disciplined and conservative approach to expenditure relative to sales growth.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

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

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 Company.

ENVIRONMENTAL REGULATIONS

The Company'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 promulgated 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 Company's product portfolio is the environmentally friendly nature of its products. With this, the Company can ensure that the environmental impact by its customers products are minimal and acceptable. Additionally, the Company'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 2020, the Board is not aware of any breach of applicable environmental regulations by the Company.

CORPORATE GOVERNANCE STATEMENT

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

INFORMATION ON DIRECTORS

The names of the Directors holding office during the period ended 30 June 2020 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.

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 is a Non-Executive Director of Australian Rail Track Corporation, a Non-Executive Director of Resolution Life Australia, and a Trustee of the Sydney Cricket and Sports Ground Trust. She is Chair of the Board of Taxation, an independent advisory board, that advises the Federal Treasurer and the Assistant Treasurer on Australia's taxation policy. Her not for profit and volunteer roles include a Non-Executive Director of The Smith Family; a Non-Executive Director of Creative Partnerships Australia; Member of the Finance, Audit and Risk Committee, The University of Sydney and a Non-Executive Director of Women Corporate Directors.

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.

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

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
Resolution Life Australia Pty Limited	Nov-19	Current
Australian Rail Track Corporation	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. General Cheney is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee and 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 and is the President of the Washington D.C. based 501(C)3 policy group The American Security Project as well as President of their 501(C)(4) company The American Security Action Fund.

Qualifications: USMC (ret)

**Other directorships during the last 3 financial years:**

Company	Commenced	Ceased
American Security Project	2007	Current
The American Security Action Fund	2017	Current

Mr Simon Moore

Mr Moore has been an independent Non-Executive Director of the Company since January 2020 and is currently Chair of the Audit Committee and a member of the Nomination and Remuneration Committee and the Risk Committee.

Experience:

Mr Moore is the Senior Partner of investment firm, Colinton Capital Partners. Prior to establishing Colinton Capital Partners in 2017, Mr Moore was a Global Partner of The Carlyle Group having established their operation in Australia in 2005. In his time at The Carlyle Group, he oversaw the Firm's investments in and served on the Boards of Directors of Coates Hire, Healthscope and Qube.

Mr Moore's qualifications include a Bachelor of Commerce (Hons) and a Bachelor of Laws (Hons) from the University of Queensland

Qualifications: BComm (Hons); LLB (Hons) University of Queensland, Brisbane, Australia.

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
Palla Pharma - Chairman	Jul-16	Current
AMA Group – Deputy Chairman	Nov-18	Current
MegaPort – Deputy Chairman	Nov-14	Sep-19
FirstWave Cloud Technology – Non-executive Director	Feb-17	Aug-19

Residence: Mr Moore is an Australian resident and resides in Sydney, New South Wales.

Dr Paul H. Stenson

Dr Stenson has been an independent Non-Executive Director of the Company since 15 June 2020. Dr Stenson is the chair of the Risk Committee and a member of the Audit Committee and Remuneration Committee.

Experience:

Dr Stenson has a distinguished career with the research, development, manufacture, and commercialization of new materials in the fields of coatings, adhesives, nonwovens, and pharmaceuticals.

Dr Stenson has been President and CEO of StanChem Inc. since January 2018. StanChem Inc. comprises two companies – StanChem Polymers which is a manufacturer of water-based polymers for the coatings and adhesives industries, and Albi Protective Coatings which focuses on the specialty sector of fire protective intumescent paints.

Prior to joining StanChem in 2017, Dr Stenson worked as a global technology director at Axalta Coating Systems. Between 2011 and 2016, Dr Stenson was the executive vice president of technology and product development at Ahlstrom for nonwoven and specialty high performance paper products. Prior to joining Ahlstrom, Dr Stenson was the vice president of technology for industrial and packaging coatings at Valspar based in Minneapolis and Zurich, Switzerland from 1993 until 2011. Dr Stenson is also the chairman of TopChem Pharmaceuticals (Ireland) which is a manufacturer of active pharmaceutical ingredients.

Dr Stenson earned a PhD in chemistry from University College Dublin, Ireland in 1986 and studied at Institut Chimie Substances Naturelles - Paris, France.

Qualifications: BSc (Science), PhD (Chemistry).

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
TopChem Pharmaceuticals (Ireland) Limited	Jul-09	Current
StanChem Holdings LLC	Jul-17	Current

Residence: Dr Stenson is a citizen of Ireland and the USA and resides in Connecticut, USA

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 PhD 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 PhD, 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 success in 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. BA, BSc

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 Claire Poll	Non-Executive Chair	11-Dec-17	1-Mar-20

Ms Claire Poll

Ms Claire Poll is an experienced corporate director over the past 20 years having led strategy and corporate development for start-up technology companies through to large multibillion-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 & Co, 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.

COMPANY SECRETARY

Mr Mark Licciardo and Ms Belinda Cleminson, both of Mertons Corporate Services Pty Ltd were appointed as Joint Company Secretaries effective 1 March 2020 following the resignation of Ms Maja McGuire also effective 1 March 2020. Mertons was established in 2007 by Mr Licciardo as a specialist corporate governance and company secretarial consultancy. His 35-year corporate career has encompassed executive roles in banking, finance, funds management, investment, and infrastructure development. Ms Cleminson has had a 17-year career providing outsourced company secretarial services to a variety of public and private companies.

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 2020, 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 ¹	Audit Committee	Risk Committee	Remuneration & Nomination Committee
Ms Garnon	26/26	2/2	3/3	3/3	4/4
Mr Cheney	25/26	2/2	3/3	3/3	4/4
Mr Moore	6/6	-	2/2	3/3	2/2
Dr Stenson	-	-	-	-	-
Dr Brookins	26/26	-	-	-	-
Ms Poll	21/22	2/2	2/2	-	2/2

(1) Audit & Risk Committee was organized into separate committees beginning in August 2019

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



REMUNERATION REPORT - AUDITED

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 ('KMP')

For the purposes of this report personnel deemed KMP at any time during the reporting period ended 30 June 2020 are:

Name	Position	Appointed	Resigned
Ms Rosheen Garnon	Non-Executive Chair		
Brigadier General Stephen Cheney	Non-Executive Director		
Mr Simon Moore	Non-Executive Director	01-Feb-20	
Dr Paul Stenson	Non-Executive Director	15-Jun-20	
Ms Claire Poll	Non-Executive Director		01-Mar-20
Dr Robert Brookins	Chief Executive Officer		
Mr Jason Lewis	Chief Financial Officer		
Mr Allen Reihman	Chief Commercial Officer		

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 Remuneration and Nomination Committee continuously monitors the remuneration framework with a goal of ensuring that remuneration is aligned with performance and the creation of value for shareholders. The Company's remuneration framework aims to ensure that:

- Rewards reflect the competitive global market in which the Company operates;
- Incentive remuneration is linked to KPI's, which are designed to encourage behaviours that are short, medium and long term in nature;
- 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 Brigadier General Cheney (Chair), Ms Garnon, Mr Moore and Dr Stenson.

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 Managing Director and Executives remuneration packages contain the following key elements:

- **Primary benefits** – base salary, short-term incentives, pension contributions and medical benefit plan for US based executives.
- **Equity** – performance rights and shares under the Company's Performance Rights Plan and Incentive Share Plan

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 attract and retain executives and Directors who will create shareholder value;
- 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 Company, 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 Company 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:

	2020	2019	2018	2017	2016 ¹
Net profit/ (loss)	(6,125,476)	(6,939,521)	(3,691,119)	(9,136,923)	(10,912,499)
Dividends declared	Nil	Nil	Nil	Nil	Nil
Share price as at 30 June (A\$)	0.060	0.155	0.120	0.560	0.700
EPS (cents)	(1.26)	(2.01)	(1.22)	(3.03)	(4.93)

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



E. Details of Remuneration

Short-term incentive plans paid as a cash bonus were awarded on 30 June 2020 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 20% and 80% was forfeited due to not meeting performance criteria, including:

- Financial – EBITDA and cash improvements targets
- Non-Financial - Securing supply contracts and licensing agreements with key partners and new product commercialization
- Shareholder Value – increase in share price

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

	Short-term benefits				Share-based payments		Other Benefits				Performance based % of Total
	Salary and fees	Non-Monetary benefits	Bonus ¹	Other	Performance Rights ²	Shares in lieu of salary ³	Super-annuation	Long-term benefits	Termination Benefits	Total	
2020											
Non-Executive Directors											
Ms Garnon	72,777	-	-	-	-	30,068	10,154	-	-	112,999	0.0%
BGen Cheney	49,637	-	-	-	-	19,944	-	-	-	69,581	0.0%
Mr Moore	29,166	-	-	-	-	-	-	-	-	29,166	0.0%
Dr Stenson	2,916	-	-	-	-	-	-	-	-	2,916	0.0%
Ms Poll ⁴	47,290	-	-	-	-	-	-	-	-	47,290	0.0%
Total	201,786	-	-	-	-	50,012	10,154	-	-	261,952	
Managing Director											
Dr Brookins	314,269	15,953	18,900	-	42,767	-	-	-	-	391,889	15.7%
Total	314,269	15,953	18,900	-	42,767	-	-	-	-	391,889	
Executives											
Mr Lewis	264,039	15,953	15,900	-	23,738	-	-	-	-	319,630	12.4%
Mr Reihman	232,692	12,779	9,320	-	22,071	-	-	-	-	276,862	11.3%
Total	496,731	28,732	25,220	-	45,809	-	-	-	-	596,492	
Total	1,012,786	44,685	44,120	-	88,576	50,012	10,154	-	-	1,250,333	

(1) Short-term incentive plans paid as a cash bonus were awarded on 30 June 2020 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 20% and 80% was forfeited due to not meeting all of the performance criteria, including:

- Financial – EBITDA and cash improvements targets
- Non-Financial - Securing supply contracts and licensing agreements with key partners and new product commercialization
- Shareholder Value – increase in share price

(2) Performance Rights Plan details are found at Note 16

(3) Shares granted to directors in lieu of salary included \$12,705 of total shares awarded under the FY 19 performance rights plan approved by shareholder at the 2018 AGM, and \$37,307 approved by shareholders at the 2019 AGM but are not under a performance rights plan

(4) Resigned 1 March 2020



	Short-term benefits				Share-based payments		Other Benefits				Performance based % of Total
	Salary and fees	Non-Monetary benefits	Bonus ³	Other	Performance Rights ¹	Shares in lieu of salary ²	Super-annuation	Long-term employee benefits	Termination Benefits	Total	
2019											
Non-Executive Directors											
Ms Garnon	39,021	-	-	2,742	-	21,750	3,758	-	-	67,271	0.0%
BGen Cheney	57,068	-	-	-	-	14,183	-	-	-	71,251	0.0%
Ms Poll	57,208	-	-	-	-	-	-	-	-	57,208	0.0%
Ms Thomas	26,250	-	-	115,426 ⁴	-	52,500	-	-	-	194,176	0.0%
Mr Metz	24,194	-	-	-	-	-	-	-	-	24,194	0.0%
Ms Thurman	22,333	-	-	-	-	-	-	-	-	22,333	0.0%
Total	226,074	-	-	118,168	-	88,433	3,758	-	-	436,433	
Managing Director											
Dr 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 Lewis	166,154	10,630	38,400	48,000 ⁵	15,440	-	-	-	-	278,624	19.3%
Mr Reihman	164,423	8,585	36,000	50,222 ⁶	14,475	-	-	-	-	273,705	18.4%
Mr 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;

d. Financial - EBIT and revenue growth within key partners

e. 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

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. Non-Executive directors are compensated for their contributions to the board and any committees they lead or serve. These agreements can be terminated without cause by either party at any time.

The Company has also entered into service agreements with executives, 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 six months' notice by either party, or earlier in the event of certain breaches of the terms and conditions. The Company may at its sole discretion terminate the employment without cause by giving six months written notice or make a payment of 6 months' salary in lieu of notice. Remuneration is reviewed annually and approved by the Board of Directors and includes potential short-term and long-term incentive opportunities as well as salary and other benefits.



G. Share-based Compensation

Performance Rights

KMP were issued or are entitled to the following share-based remuneration during the reporting period:

- 948,152 Performance Rights (2019: 2,283,464) with a value of \$31,811 (2019: \$217,868) were granted
- 995,064 Performance Rights (2019: 966,610) with a value of \$88,576 (2019: \$113,709) vested
- Nil were forfeited (2019: 25,128) with a value of nil (2019: \$7,813)

The valuation of performance rights granted and vested to KMP is detailed below:

	2020			2019		
	Granted (\$)	Vested (\$)	Forfeited (\$)	Granted (\$)	Vested (\$)	Forfeited (\$)
Managing Director						
Dr Brookins	14,046	42,767	-	128,123	83,794	-
Total Managing Director	14,046	42,767	-	128,123	83,794	-
Executives						
Mr Lewis	9,453	23,738	-	46,320	15,440	-
Mr Reihman	8,312	22,071	-	43,425	14,475	-
Mr Krech	-	-	-	-	-	(7,813)
Total Executives	17,765	45,809	-	89,745	29,915	(7,813)
Total KMP	31,811	88,576	-	217,868	113,709	(7,813)

The number of performance rights held during the reporting periods to KMP including their personally related parties is set out below:

2020	Balance at start of year	Granted	Issued	Forfeited	Balance at end of year	Vested- not issued
Managing Director						
Dr Brookins	1,282,584	418,654	(619,262)	-	1,081,976	471,214
Total Managing Director	1,282,584	418,654	(619,262)	-	1,081,976	471,214
Executives						
Mr Lewis	537,829	281,761	(179,277)	-	640,313	273,198
Mr Reihman	504,215	247,737	(168,072)	-	583,880	250,652
Total Executives	1,042,044	529,498	(347,349)	-	1,224,193	523,850
Total KMP	2,324,628	948,152	(966,611)	-	2,306,169	995,064

2019	Balance at start of year	Granted	Issued	Forfeited	Balance at end of year	Vested-not issued
Managing Director						
Dr Brookins	41,164	1,241,420	-	-	1,282,584	619,262
Total Managing Director	41,164	1,241,420	-	-	1,282,584	619,262
Executives						
Mr Lewis	-	537,829	-	-	537,829	179,277
Mr Reihman	-	504,215	-	-	504,215	168,072
Mr Krech	25,128	-	-	(25,128)	-	-
Total Executives	25,128	1,042,044	-	(25,128)	1,042,044	347,348
Total KMP	66,292	2,283,464	-	(25,128)	2,324,628	966,610



Number of Performance rights granted during 2020:

	Granted	Grant Date	Vesting Date	Expiry Date	FV per Right at Grant Date
Executives					
Dr Brookins	418,654	25-Feb-20	Various	25-Feb-23	0.050
Mr Lewis	281,761	25-Feb-20	Various	25-Feb-23	0.050
Mr Reihman	247,737	25-Feb-20	Various	25-Feb-23	0.050

The performance rights vest equally over a three-year schedule beginning 30 June 2020 and include a service obligation through the vesting date. Rights will be exercised at nil cost in the quarter following the vesting date.

Options:

No options were granted to directors during the reportable financial years. The movement in the number of options held by the KMP's, including their personally related parties, are set out below:

	Balance at start of year	Granted	Exercised	Other Changes	Balance at end of year	Vested and exercisable
2020						
Non-Executive Directors						
BGen Cheney	750,000	-	-	-	750,000	750,000
Total Directors	750,000	-	-	-	750,000	750,000
Total KMP	750,000	-	-	-	750,000	750,000
2019						
BGen Cheney	750,000	-	-	-	750,000	750,000
Mr Metz	750,000	-	-	-	750,000	750,000
Total Directors	1,500,000	-	-	-	1,500,000	1,500,000
Total KMP	1,500,000	-	-	-	1,500,000	1,500,000



Shares:

The value of shares issued or agreed to be issued in lieu of salary during the year was \$50,012 (2019: \$88,433) which was calculated based on an issue price of AUD\$0.1374 and was approved at the 2019 Annual General Meeting on 10 October 2019. The issue price represents volume weighted average closing price of shares on ASX in the fourteen trading days prior to 13 September 2019. The movement in the number of shares held by the KMP, including their personally related parties, are set out below:

	Balance at start of year	Granted as remuneration in lieu of salary	Received on conversion of performance rights	Received on exercise of options	Other changes ¹	Balance at end of year
2020						
Non-Executive Directors						
Ms Garnon	227,159	312,344	-	-	1,666,667	2,206,170
BGen Cheney	219,225	203,023	-	-	-	422,248
Mr Moore	-	-	-	-	71,145,234	71,145,234
Ms Poll	28,572	-	-	-	333,333	361,905
Total Directors	474,956	515,367	-	-	73,145,234	74,135,557
Managing Director						
Dr Brookins	3,120,000	-	619,262	-	980,400	4,719,662
Total Managing Director	3,120,000	-	619,262	-	980,400	4,719,662
Executives						
Mr Lewis	-	-	179,277	-	-	179,277
Mr Reihman	-	-	168,072	-	-	168,072
Total Executives	-	-	347,349	-	-	347,349
Total KMP	3,594,956	515,367	966,611	-	74,125,634	79,202,568

(1) Shares purchased during the reporting period capital raise by individual or related parties

	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
2019						
Non-Executive Directors						
Ms Garnon	-	227,159	-	-	-	227,159
BGen Cheney	71,572	147,653	-	-	-	219,225
Ms Poll	28,572	-	-	-	-	28,572
Ms Thomas	285,715	546,602	-	-	-	832,317
Mr Metz	28,572	-	-	-	-	28,572
Ms Thurman	14,286	-	-	-	-	14,286
Total Directors	428,717	921,414	-	-	-	1,350,131
Managing Director						
Dr Brookins	3,162,240	-	-	-	(42,240)	3,120,000
Total Managing Director	3,162,240	-	-	-	(42,240)	3,120,000
Executives						
Mr Krech	80,000	-	-	-	-	80,000
Total Executives	80,000	-	-	-	-	80,000
Total KMP	3,670,957	921,414	-	-	(42,240)	4,550,131



H. Additional Disclosures Relating to KMP

The interests of the Directors and other KMP of the Company in the shares and options is set out below:

	No. of ordinary shares	No. of performance rights	No. of options over ordinary shares
Non-Executive Directors			
Ms Garnon	2,206,170	-	-
BGen Cheney	422,248	-	750,000
Mr Moore	71,145,234	-	-
Ms Poll	361,905	-	-
Total Directors	74,135,557	-	750,000
Managing Director			
Dr Brookins	4,719,662	1,081,976	-
Total Managing Director	4,719,662	1,081,976	-
Executives			
Mr Lewis	179,277	640,313	-
Mr Reihman	168,072	583,880	-
Total Executives	347,349	1,224,193	-
Total Directors and Executives	79,202,568	2,306,169	750,000

I. Loans to KMP

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

THIS IS THE END OF THE AUDITED REMUNERATION REPORT



SHARES UNDER OPTION/WARRANT

As at the date of this report there were 5,329,787 unlisted options and warrants (2019 – 6,665,319).

Details of these options are as follows:

Date Options Granted	Expiry Date	Exercise price of shares	No. under options
01-Oct-15	30-Sep-20	A\$ 0.75	1,500,000
31-Dec-19	29-Mar-23	A\$ 0.06	3,829,787
Total			5,329,787

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 Company has granted 1,259,482 (2019: 2,956,744) performance rights for the reporting period. 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 Company 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 services to the Company beginning with the tax year ending 30 June 2020. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

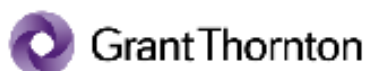
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is attached.

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

Rosheen Garnon

Chair

Dated 28 August 2020



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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 Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 28 August 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 June 2020**

		2020	2019
	Note	US\$	US\$
Revenue	3	6,078,857	5,059,039
Cost of sales		(3,765,758)	(3,453,297)
Gross Profit		2,313,099	1,605,742
Administrative expenses	4	(3,000,901)	(3,609,008)
Sales and marketing expenses		(935,575)	(1,282,435)
Occupancy expenses		(553,061)	(557,287)
Research and development costs		(353,285)	(413,074)
Other expenses		(182,525)	(547,111)
Operating expenses		(5,025,347)	(6,408,915)
Loss before finance costs		(2,712,248)	(4,803,173)
Interest expense		(1,882,358)	(2,793,604)
Loss on debt extinguishment	15	(1,522,003)	-
Gain / (Loss) on embedded derivative	15	(27,523)	629,642
Interest received	3	18,656	27,614
Total finance costs		(3,413,228)	(2,136,348)
Loss before tax		(6,125,476)	(6,939,521)
Tax expense	7	-	-
Loss for the year after tax		(6,125,476)	(6,939,521)
Other comprehensive income - Exchange differences on translation of foreign operations which may subsequently be reclassified to profit or loss		(188,947)	(31,893)
Total comprehensive loss for the year		(6,314,423)	(6,971,414)
Loss for the year attributable to members of the group		(6,125,476)	(6,939,521)
Total comprehensive loss for the year attributable to members of the group		(6,314,423)	(6,971,414)
Basic and diluted loss per share (cents)	8	(1.26)	(2.01)

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



		2020	2019
	Note	US\$	US\$
Current Assets			
Cash and cash equivalents	18	4,741,251	3,843,343
Trade and other receivables	9	979,680	962,023
Inventories	10	921,554	1,153,453
Other current assets		41,500	74,917
Total Current Assets		6,683,985	6,033,736
Non-Current Assets			
Other financial assets		17,682	17,982
Property, plant and equipment	11	1,095,886	1,727,001
Intangible assets	12	2,678,615	1,778,484
Right of use asset	11	1,194,166	-
Total Non-Current Assets		4,986,349	3,523,467
Total Assets		11,670,334	9,557,203
Current Liabilities			
Trade and other payables	13	905,514	1,558,500
Lease liabilities	14	136,753	170,974
Total Current Liabilities		1,042,267	1,729,474
Non-Current Liabilities			
Borrowings	15	2,440,230	6,786,592
Derivative liability	15	1,810,494	658,141
Lease liabilities	14	949,786	-
Total Non-Current Liabilities		5,200,510	7,444,733
Total Liabilities		6,242,777	9,174,207
Net Assets		5,427,557	382,996
Equity			
Contributed equity	16	65,943,807	54,367,832
Reserves		(927,236)	5,078,244
Accumulated losses		(59,589,014)	(59,063,080)
Total Equity		5,427,557	382,996

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

	Contributed equity \$	Options & Warrants Reserve \$	Performance Rights Reserve \$	Foreign Currency Translation Reserve \$	Consolidated Accumulated Losses \$	Total \$
Balance at 1 July 2019	54,367,832	5,634,968	1,021,204	(1,577,928)	(59,063,080)	382,996
Loss for the period	-	-	-	-	(6,125,476)	(6,125,476)
Foreign currency translation	-	-	-	(188,947)	-	(188,947)
Total comprehensive income / (loss)	-	-	-	(188,947)	(6,125,476)	(6,314,423)
Transactions with owners in their capacity as owners:						
Reclass to accumulated losses	-	(4,992,832)	(606,710)	-	5,599,542	-
Issued capital	11,768,661	-	-	-	-	11,768,661
Capital raising costs	(634,502)	-	-	-	-	(634,502)
Performance rights issued	-	-	113,569	-	-	113,569
Performance rights exercised	427,199	-	(427,199)	-	-	-
Share-based payments	14,617	-	12,705	-	-	27,322
Warrants outstanding	-	83,934	-	-	-	83,934
Balance at 30 June 2020	65,943,807	726,070	113,569	(1,766,875)	(59,589,014)	5,427,557

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	-	-	-	(1,695,787)	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.

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



		2020	2019
	Note	US\$	US\$
Cash flow from operating activities			
Receipts from customers and other income		6,422,456	4,844,649
Payments to suppliers and employees		(8,762,060)	(8,052,450)
Interest received	3	18,656	27,614
Interest and other costs of finance paid		(906,208)	(1,219,230)
Goods & services tax received from ATO		52,021	57,876
Net cash flows (used in) operating activities	18(b)	(3,175,135)	(4,341,541)
Cash flows from investing activities			
Purchase of property, plant and equipment		(102,281)	(90,683)
Purchase of other non-current assets		-	(60,000)
Proceeds from disposal of property, plant and equipment		430	-
Payments for development costs		(1,098,264)	(987,153)
Net cash flows (used in) investing activities	18(c)	(1,200,115)	(1,137,836)
Cash flows provided by financing activities			
Proceeds from issue of ordinary shares		11,768,661	-
Proceeds from borrowings		4,071,918	-
Transaction costs related to issues of shares		(634,502)	-
Transaction costs related to issues of convertible notes		(111,952)	-
Repayment of borrowings		(9,587,713)	(1,258,696)
Net cash flows from/ (used in) financing activities		5,506,412	(1,258,696)
Net increase / (decrease) in cash and cash equivalents		1,131,162	(6,738,073)
Cash and cash equivalents at beginning of year		3,843,343	10,641,763
Effect of exchange rate changes on cash and cash equivalents		(233,254)	(60,347)
Cash and cash equivalents at end of year	18(a)	4,741,251	3,843,343

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 'Company') for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 August 2020. Alexium International Group Limited ('Parent') is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange under the trading AJAX. These financial statements include the consolidated financial statements and notes of Alexium International Group Limited and its controlled entities. This financial report, the comparative period within, and all future financial reports, 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. The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general-purpose financial statements 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 Company 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 accrual basis and are based on historical costs, modified where applicable by the measurement at fair value. 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 Company in this financial report

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 Company 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 implemented 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) is recognized at the date of initial application (1 July 2019). The modified retrospective approach permits the measurement of the right-of-use asset equal to the lease liability at adoption.

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 AASB 108 para 28.



The Company undertook a detailed assessment of the impact of AASB 16 and determined the standard to have a material impact on the transactions and balances recognised in the financial statements. At 30 June 2019, \$628,964 was previously recorded as a finance lease and classified as property, plant and equipment. This balance was classified to the right-of-use asset at 1 July 2019 upon adoption of the Standard. Management has recorded the initial recognition of right of use asset and corresponding lease liability for operating leases at a book value of \$902,952 at the implementation date. Net book value of right of use assets at 30 June 2020 is \$1,194,166 as detailed in Note 11.

Reconciliation of lease liabilities at adoption	01-Jul-19
Total operating lease commitments disclosed at 30 June 2019	890,440
Lease commitments beyond five-year disclosure requirement	851,657
Variable lease payments not recognized	(332,547)
Operating lease liabilities before discounting	1,409,550
Future value of operating leases	1,409,550
Discounted using incremental borrowing rate (9.7%)	(506,598)
Operating lease liabilities	902,952
Operating lease liabilities	902,952
Finance lease obligations	361,413
Total lease liabilities recognised under AASB 16 at 1 July 2019	1,264,365

Where a right to control an asset specified in a lease agreement exists, the Company recognises a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Right-of-use assets are recognized similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to financial liabilities. Therefore, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them as such in the statement of cash flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-variable lease payments expected to be incurred for the term of the lease. The term of the lease is determined by reference to non-cancellable periods and those periods subject to exercise of an option, where that option is considered reasonably certain to be exercised.

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed as incurred on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The Company has applied practical expedient and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application. The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 9.7%.

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

There will be no new or revised Standards and Interpretations issued by the AASB that will be adopted by the Company that are relevant to its operations and effective for the upcoming reporting period.

(d) Company Accounting Policies

Fair Value of Assets and Liabilities

The Company 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 Australian Accounting Standard. Fair value is the price the Company 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 Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company 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 Company are consistent with one or more of the following valuation approaches:

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects 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 Company 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 Company 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 Company 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 assets, liabilities and results of the Company. 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 Company from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Company 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 Company.

Equity interests in a subsidiary not attributable, directly, or indirectly, to the Company are presented as "non-controlling interests". The Company 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. After 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 is Australian Dollar and the functional currencies of the 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. 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 subsidiaries are translated into the presentation currency 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. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Leases assets

Right-of-use assets under lease agreements are initially measured at the present value of future lease payments using an incremental borrowing rate. Book value is stated as net present value less accumulated depreciation. Upon completion of the certain finance lease terms, ownership of the subject asset is transferred to the Company which begins recognition as property, plant, and equipment.

Subsequent costs

The Company 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 asset.

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, which is considered five years, as these assets are considered finite. Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

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,
- The Company intends to and has sufficient resources to complete the project,
- The Company has the ability to use or sell the asset; and
- 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. Costs not meeting these criteria are expensed as incurred. The ultimate recoupment of costs carried forward for capitalized development is dependent on the successful development and commercialization of the Company's technology. Any internally generated asset that is not yet complete and not fully amortised is subject to impairment testing.

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

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

Capitalised development costs, patents, and trademarks with a finite life are amortised based on estimated future economic life. Amortisation charges are included as an expense in the consolidated statement of profit or loss and other comprehensive income.

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. The useful lives of 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 profit or loss. Intangible assets are tested for impairment where an indicator of impairment exists. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

(i) Impairment of assets

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

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 are recognised and carried at original invoice amount less any expected credit losses (ECL) determined under the simplified approach to accounting for trade and other receivables as detailed in AASB 9. 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. 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.

(k) Determination and presentation of operating segments

For management purposes, the Company 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 Company's activities are interrelated, and discrete financial information is reported to the Chief Executive Officer as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The Company 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 Company 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 Company's other components. An operating segment's 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 Company operates under a single operating segment.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand and short-term deposits. 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 Company 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 Company'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 Company 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. The Company 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'. Instruments within the scope of the ECL model 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 not dependent on the Company first identifying a credit loss event. Instead the Company 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 Company 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 Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company 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 Company'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 Company 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 Company 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 Company prior to the end of the financial year that are unpaid and arise when the Company 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 Company 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 Company 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. Revenue is recognized at this point in time.

Sale of goods

Revenue is recognised at a specific point in time 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 Company 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 Company 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 Company 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 Company 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



- 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 in time 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 and arrangements could change as the Company enters 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 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 Company, adjusted for any bonus issue.



(u) Employee benefits

Termination benefits

Termination benefits are recognised as an expense when the Company 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 Company 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 Company's liabilities for annual leave are included in other current liabilities. Any adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company 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. 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: average cost; and
- Finished goods and work in progress: cost of direct materials and manufacturing charges from contract manufacturer.

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 Company'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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

Share-based payments

The Company initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. The Company 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 considers the expected price volatility of the underlying instrument, expected dividend yield and the risk-free interest rate. The twelve-month share price history has been used to determine the expected price volatility. 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 Company assesses at initial recognition whether an internally developed asset has met the recognition requirements established in AASB 138 and measures the direct and indirect costs of development using several estimates and assumptions. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results, the determination of a suitable discount rate, and the appropriate classification of cash generating units. See Note 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.

During the financial year ended 30 June 2020, the Company generated a loss of \$6,125,476 (2019: \$6,939,521) and the Company has used cash in operating and investing activities of \$4,375,250 (2019: \$5,479,377). As at 30 June 2020 the Company had net assets of \$5,427,557 (2019: \$382,996) and a cash balance of \$4,741,251 (2019: \$3,843,343).

3. REVENUE & OTHER INCOME

Revenue is recognised at a specific point in time and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer.

	2020	2019
Sale of goods	6,422,859	5,225,286
Rebates	(344,002)	(166,247)
Total	6,078,857	5,059,039
Interest received	18,656	27,614

4. ADMINISTRATIVE EXPENSES

	2020	2019
Employee benefit expense	2,168,879	2,662,003
Professional fees	482,245	653,150
Other administrative expenses	146,949	156,008
Insurance expense	177,080	128,011
Amortisation	25,748	9,836
Total	3,000,901	3,609,008

5. DEPRECIATION AND AMORTISATION EXPENSE

	2020	2019
Depreciation	430,526	338,240
Amortisation	158,041	17,411
Total	588,567	355,651

6. AUDITORS' REMUNERATION

	2020	2019
Amount received or due and receivable by Grant Thornton Australia for:		
(a) an audit or review of the financial report of the Company	141,770	143,671
(b) Tax compliance services in relation to the entity and any other entity in the Company	7,954	7,043
(c) Other services in relation to the entity and any other entity in the Company	7,132	7,179
Total	156,856	157,893

7. TAXATION

	2020	2019
(a) Income tax recognised in profit and loss		
Profit /(loss) before tax	(6,125,476)	(6,939,521)
Prima facie tax on operating loss before income tax at 30.0%	(1,837,643)	(1,908,368)
Deferred tax asset not recognised		
Temporary differences not recognized	(387,962)	(331,123)
Tax effect of permanent differences:		
Other	558,706	-
Meals and entertainment	3,216	10,611
Interest on convertible note	329,749	399,648
Fair value movement	8,196	(173,152)
Share-based payments expense	-	48,720
Lobbying expenses	-	1,219
Differences in jurisdictional tax rates	235,152	333,306
Tax losses not brought to account	1,090,586	1,619,139
Income tax benefit attributable to reversal of deferred tax liability on intangible assets	-	-
(b) Deferred tax assets		
Deferred tax assets at 30 June brought to account:		
Employee benefits	-	1,339
Accrued expenses	25,909	23,902
Expenses deducted over 5 years	58,734	83,671
Income tax losses	2,021,908	1,583,548
	2,106,551	1,692,460
(c) Deferred tax liability		
Unrealised FX	1,575,652	1,334,855
Basis difference on fixed assets	530,899	357,605
	2,106,551	1,692,460
(d) Net deferred tax position		
Deferred tax assets	2,106,551	1,692,460
Deferred tax liabilities	2,106,551	1,692,460
Net deferred tax position	-	-
(e) Deferred tax assets not recognised		
Charitable contributions	20,107	23,978
Accrued and prepaid expenses	58,840	174,965
Other	23,587	-
263A costs	1,271	-
163(j) limitation	-	-
Income tax losses	9,255,446	8,507,735
Net deferred tax position	9,359,251	8,706,678

No income tax is payable by the Company. 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 Company has estimated unrecouped income tax losses of \$52,753,419 (2019: \$43,498,018) 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 Company in future periods. Deferred tax assets and liabilities which relate to income taxes levied by the same taxation authority are offset where the Company intends to settle those tax assets and liabilities on a net basis.

8. EARNINGS PER SHARE

Classification of securities as ordinary shares

The Company 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.

	2020	2019
Weighted average number of ordinary shares	486,421,703	345,443,598
Basic loss (\$)	(6,125,476)	(6,939,521)
Basic / Diluted loss per share (cents)	(1.26)	(2.01)

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

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

	2020 Number	2019 Number
Options over ordinary shares	1,500,000	2,400,000
Warrant options	3,829,787	4,255,319
Performance rights	1,286,182	2,989,775
Total	6,615,969	9,645,094

9. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	944,496	943,027
Other receivables	35,184	18,996
Total	979,680	962,023

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

10. INVENTORIES

	2020	2019
Raw materials	500,566	699,183
Finished goods	426,453	462,500
Provision for obsolescence	(5,465)	(8,230)
Total	921,554	1,153,453

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and equipment	Right-of-use equipment	Right-of-use building	Construction in progress	Total
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
Initial application of AASB 16	-	-	902,952	-	902,952
Additions	94,122	-	-	-	94,122
Disposals	(62,597)	-	-	-	(62,597)
Transfers	328,876	(328,876)	-	-	-
Foreign exchange movements	-	-	-	-	-
Balance at 30 June 2020	2,052,552	677,941.49	902,952	-	3,633,445
Depreciation and impairment					
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
Initial application of AASB 16	-	-	-	-	-
Depreciation	199,394	121,683	109,449	-	430,526
Disposals	(59,100)	-	-	-	(59,100)
Transfers	222,258	(222,258)	-	-	-
Foreign exchange movements	-	-	-	-	-
Balance at 30 June 2020	956,665	277,278	109,449	-	1,343,393
Net book value					
At 30 June 2018	1,192,055	763,464	-	-	1,955,519
At 30 June 2019	1,098,037	628,964	-	-	1,727,001
At 30 June 2020	1,095,886	400,663	793,503	-	2,290,052

12. INTANGIBLE ASSETS

Cost	Patents and trademarks	Capitalised development costs	Software	Total
Balance at 30 June 2018	202,339	662,717	15,377	880,433
Additions	-	1,023,574	60,000	1,083,574
Disposals	(161,817)	-	-	(161,817)
Foreign exchange movements	-	-	-	-
Balance at 30 June 2019	40,522	1,686,291	75,377	1,802,190
Additions	-	1,098,264	-	1,098,264
Disposals	-	-	(40,000)	(40,000)
Foreign exchange movements	-	-	-	-
Balance at 30 June 2020	40,522	2,784,555	35,377	2,860,454

Amortization and impairment

Balance at 30 June 2018	113,645	-	5,638	119,283
Amortisation	9,836	1,583	5,992	17,411
Disposals	(112,988)	-	-	(112,988)
Foreign exchange movements	-	-	-	-
Balance at 30 June 2019	10,493	1,583	11,630	23,706
Amortisation	25,748	108,546	23,747	158,041
Disposals	-	-	-	-
Foreign exchange movements	92	-	-	92
Balance at 30 June 2020	36,333	110,129	35,377	181,839

Net book value

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
Balance at 30 June 2020	4,189	2,674,426	-	2,678,615

Impairment testing for intangible assets

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

Cash flow forecasting inputs are based on the Board approved budget for FY2021 along with forecasts from management for an additional four years. Management forecasts include an assessment of market size and the ability of the Company to penetrate the market. The forecasting methods also include identifiable and addressable markets for the Company 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 Company estimated the recoverable amount of two Cash Generating Units ("CGUs") as of 30 June 2020. A CGU is the smallest group of assets that includes the subject asset and generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The Company determined Alexiflam® and Alexicool® to be independent cash-generating units that are unable to be disaggregated. 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 Company, 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. Carrying values of Alexiflam® and Alexicool® CGU's at year end were \$1.6M and \$1.1M respectively, while estimated recoverable amount of each was \$2.2M and \$2.1M.

There are important assumptions used in the valuation including the enterprise value. Management forecasts include growth rates of 0.0% to 10.0% after a technology has been commercialized, risk adjusted discount rates averaging 27%, 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 2020 (2019: \$nil).



13. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	230,846	557,098
Other payables	639,159	752,152
Interest payable	35,509	101,250
Additional Provisions	-	148,000
Total	905,514	1,558,500

Trade and other payable amounts represent liabilities for goods and services provided to the Company 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.

14. LEASE LIABILITIES

The Company leases facilities, office and lab equipment, and IT infrastructure under various agreements. These assets are used for administration and operational activities with remaining lease terms of 1-7 years. Where a right to control an asset specified in a lease agreement exists, the Company recognises a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Lease liabilities are recognized similarly to financial liabilities with cash repayments recorded into a principal portion and an interest portion and presents them as such in the statement of cash flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-variable lease payments expected to be incurred for the term of the lease. The term of the lease is determined by reference to non-cancellable periods and those periods subject to exercise of an option, where that option is considered reasonably certain to be exercised.

	2020	2019
Lease payments during the period:		
Principal payments	178,319	210,406
Interest	112,899	44,776
Variable lease payments not included in measurement of lease liability	33,081	-
Total	324,299	255,182

Minimum future rental payments under non-cancellable leases:

Current	235,484	198,438
Non-current	1,285,257	206,217
Total	1,520,741	404,655

Present value of future minimum rental payments under leases:

Current commitments:		
Lease liability	136,753	170,974
Finance charges	98,731	190,439
Net present value	235,484	361,413
Non-current commitments:		
Lease liability	949,786	-
Finance charges	335,471	43,242
Net present value	1,285,257	43,242
Total	1,520,741	404,655

15. BORROWINGS

	2020	2019
Convertible note carrying value	1,979,878	6,596,153
Other borrowings	460,352	190,439
Principal balance outstanding	2,440,230	6,786,592

Convertible note

On 24 December 2019 the Company entered a convertible note, secured by the Company's assets, with an institutional lender. The \$3.5 million (\$A5.15M) note carries a four-year term and 6.0% annual interest rate with coupon interest payments due quarterly. The note is convertible into ordinary shares at the holder's discretion and with shareholder approval. The proceeds from the funding were used to pay down the loan facility originated on 30 September 2017, which carried a higher interest rate and was due to expire on 30 September 2020.

The Borrowings have been measured at amortised cost in accordance with AASB 9 and gain or loss is recognised in profit or loss through the amortisation process and when the borrowings are derecognised. The Company allocates interest payments over the term of the borrowings at a constant rate on the carrying value. The carrying balance over the remaining life of the facility will increase to the current principal balance of \$3.5 million.

	2020	2019
Convertible note carrying value	1,979,878	6,596,153
Remaining amortization of effective interest	1,631,688	2,403,847
Foreign currency exchange rate impact	(70,369)	-
Principal balance outstanding	3,541,197	9,000,000

Other borrowings

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

The loan is in the form of a note that matures on 5 May 2022 and bears interest at a rate of 1% per annum, payable monthly principal and interest payments commencing on 6 November 2020. The note may be prepaid by the Borrower at any time prior to maturity without prepayment penalty. Funds from the loan are intended to support payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations which were impacted by the COVID-19 pandemic.

The loan is designed to be forgivable up to 100% of the loan value when used for expenses described above.

Derivative liability

The current and previous borrowings are considered hybrid instruments with host and derivative liability components. When initially recorded the derivative is measured at fair value and separated from the host liability. Subsequently changes in value are recorded in profit or loss upon revaluation. This has been valued using a Black-Scholes option pricing model which approximates a Monte Carlo binomial lattice simulation. Pricing model inputs of the current derivative include exercise price (A\$0.075), risk-free rate (0.575%), remaining term (3.5 years) and volatility (105.02%).

	2020	2019
Derivative liability	1,810,494	658,141
Gain/ (Loss) on embedded derivative	(27,523)	629,642

Loss on debt extinguishment

The previous loan with a \$9,000,000 balance was paid in full on 31 December 2019 and was measured at the amortised cost using the effective interest method. The residual value was amortised to face value over the life of the note. On extinguishment, the liability was derecognised and the difference between the carrying amount of the extinguished liability and the consideration paid is recognised in profit or loss. The attached embedded derivative liability is also derecognised and netted against the residual value of the host liability and the consideration paid.

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

16. CONTRIBUTED EQUITY

	2020 Shares	2019 Shares	2020 \$	2019 \$
(a) Issued capital				
Ordinary shares fully paid	634,456,542	345,443,598	65,943,807	54,367,832
(b) Movement in share capital				
Balance at 1 July	345,443,598	345,443,598	54,367,832	54,367,832
Capital raising	285,727,610	-	11,768,661	-
Costs of capital raising	-	-	(634,502)	-
Conversion of performance rights	2,068,366	-	331,213	-
Share-based payments	1,216,968	-	110,603	-
Shares issued - severance	-	-	-	-
Balance at 30 June	634,456,542	345,443,598	65,943,807	54,367,832
(c) Movements in performance rights				
Balance at 1 July	2,989,775	-	414,501	-
Previously granted not yet vested at July 1	1,971,163	1,324,000	226,352	403,380
Granted in lieu of director's fees	140,554	921,414	12,705	83,288
Converted to shares	(3,130,334)	-	(427,213)	-
Forfeited	(238,480)	(241,220)	(27,378)	(185,344)
Granted	1,259,482	2,956,744	42,256	339,529
Granted not yet vested	(1,705,978)	(1,971,163)	(127,654)	(226,352)
Balance at 30 June	1,286,182	2,989,775	113,569	414,501

(d) Share options issued

At year-end there were Nil free attaching options outstanding (2019: Nil) and 1,500,000 share-based payment options outstanding (2019: 2,400,000). Warrants issued under the extinguished convertible note and previously recognized as a derivative liability were transferred to the option reserve account at the payoff date.

(e) Movements in share options

	Grant Date	Exercise Price	Expiry date	Balance at start of year	Granted	Exercised	Expired	Balance at end of year
2020								
Unlisted options	01-Oct-15	\$0.75	30-Sep-20	1,500,000	-	-	-	1,500,000
Unlisted options	04-Nov-16	\$0.75	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	\$1.25	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	\$1.75	04-Nov-19	300,000	-	-	(300,000)	-
Warrants	31-Dec-19	\$0.06	29-Mar-23	-	3,829,787	-	-	3,829,787
Total				2,400,000	3,829,787	-	(900,000)	5,329,787

2019

Unlisted options	01-Oct-15	\$0.75	30-Sep-20	1,500,000	-	-	-	1,500,000
Unlisted options	04-Nov-16	\$0.75	04-Nov-19	300,000	-	-	-	300,000
Unlisted options	04-Nov-16	\$1.25	04-Nov-19	300,000	-	-	-	300,000
Unlisted options	04-Nov-16	\$1.75	04-Nov-19	300,000	-	-	-	300,000
Total				2,400,000	-	-	-	2,400,000

(f) Details of share options

	2020			2019		
	Number	WAEP ¹	WARCL ²	Number	WAEP	WARCL
Outstanding at 1 July	2,400,000	0.94	0.91	2,400,000	0.94	0.91
Granted	3,829,787	0.04	1.97	-	-	-
Exercised	-	-	-	-	-	-
Expired	(900,000)	(1.25)	-	-	-	-
Outstanding at 30 June	5,329,787	0.25	2.04	2,400,000	0.94	0.91

(1) Weighted average exercise price

(2) Weighted average remaining contractual life

	2020			2019		
	Number	Average fair value per option	\$	Number	Average fair value per option	\$
a) Warrants	3,829,787	0.04	142,025	-	-	-
b) Directors	1,500,000	-	-	1,500,000	-	-
c) Services rendered	-	-	-	900,000	-	-
Total	5,329,787		142,025	2,400,000		-

(g) 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.

(h) Capital management

The Company's objectives in managing capital are to safeguard the Company'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.

17. SHARE-BASED PAYMENTS

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

	2020		2019	
	Number	\$	Number	\$
Shares in lieu of salary	526,523	50,012	921,414	88,433
Performance rights vested but not issued	1,286,182	113,569	2,068,366	328,898
Professional services	1,453,704	56,763	-	-
Shares forfeited	-	-	(241,220)	(173,767)
Total	3,266,409	220,344	2,748,560	243,564

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

(a) Shares

526,523 shares (2019: 921,414) in lieu of salary for non-executive directors and 1,453,704 shares (2019: nil) for professional services.

(b) Performance rights

During the reporting period performance rights totalling 1,286,182 (2019: 2,068,366) were granted. An operating expense of \$113,569 (2019: \$328,898) was recognised for the vested performance rights.

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	2020	2019
Cash on hand	4,741,251	3,843,343

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

Operating loss after income tax	(6,125,476)	(6,939,521)
Non-cash items:		
Depreciation and amortisation of non-current assets	588,567	355,651
Share-based payment	220,344	369,374
Amortisation on borrowings	1,084,075	1,453,261
Loss on impairment	-	48,750
Loss on debt extinguishment	1,522,003	-
Loss on fair value movement- embedded derivative	27,523	(629,642)
Loss on disposal of assets	2,694	-
Changes in assets and liabilities net of effect of purchase of subsidiaries:		
(Increase) in trade and other receivables	(17,657)	(448,223)
Decrease in inventories on hand	231,899	363,095
Decrease / (Increase) in other current assets	33,417	(5,041)
(Decrease) / Increase in trade and other payables	(708,304)	616,205
(Decrease) / Increase in other current liabilities	(34,221)	474,550
Net cash (used in) operating activities	(3,175,135)	(4,341,541)

(c) Reconciliation to net cash used in investing activities

Property, plant, and equipment additions and proceeds from disposal	93,691	144,437
Intangible asset additions	1,098,264	1,083,574
Non-cash items		
Foreign exchange movement on transfers	-	-
(Increase) / Decrease in working capital	8,160	(90,175)
Net cash flows (used in) investing activities	1,200,115	1,137,836

19. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Colinton Capital Partners

During the period, \$333,904 (2019: Nil) was paid to Colinton Capital Partners, a related party of Simon Moore, Non-Executive Director

	2020	2019
Coupon interest on convertible note	105,381	-
Due Diligence	103,305	-
Underwriting fee	125,218	-
Total	333,904	-

(b) Transactions with KMP

	2020	2019
Short-term employee benefits		
Salary and fees	1,012,786	907,934
Non-monetary benefits	44,685	32,134
Other	-	216,390
Total	1,057,471	1,156,458
 Post-employment super-annuation	 10,154	 3,758
Total	10,154	3,758
 Share-based payments- Performance rights	 88,576	 113,709
Share-based payments – Shares in lieu of salary	50,012	88,433
Total	138,588	202,142
 Bonus	 44,120	 145,440
Termination Benefits	-	80,876
Total	44,120	226,316
 Total	 1,250,333	 1,588,674

20. SEGMENT REPORTING

The financial results from this segment are equivalent to the financial statements of the Company as a whole.

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

2020	Australia	US	Cyprus	Total
Revenue	-	6,078,857	-	6,078,857
Interest received	15,468	3,189	-	18,656
Other income	-	-	-	-
Interest expense	1,192,013	690,345	-	1,882,358
Property, plant and equipment	-	1,095,886	-	1,095,886
Right of use asset	-	1,194,166	-	1,194,166
Intangible assets	-	2,675,292	3,323	2,678,615
Depreciation and amortisation	-	562,819	25,748	588,567
 2019	 Australia	 US	 Cyprus	 Total
Revenue	-	5,059,039	-	5,059,039
Interest received	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

21. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (ordinary shares)	
		2020	2019
Parent Entity			
Alexium International Group Limited	Australia		
Subsidiaries of Alexium International Group Limited			
Alexium Limited	Cyprus	100	100
Alexium Inc.	USA	100	100

(1) The parent entity has an interest free unsecured loan with Alexium Inc. amounting to \$42,523,293 (2019: \$39,186,654).

(2) The parent entity has an interest free unsecured loan with Alexium Ltd amounting to \$282,820 (2019: \$291,446).

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Company 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 Company'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			Non- Interest Bearing \$	Total \$
			> 1 Year \$	1-5 Years \$	5+ years \$		
2020							
Financial Assets							
Cash and cash equivalents	0.27	3,503,515	1,237,736	-	-	-	4,741,251
Trade and other receivables/other financial assets	-	-	-	-	-	979,680	979,680
	-	3,503,515	1,237,736	-	-	979,680	5,720,931
Financial Liabilities							
Trade and other payables	-	-	-	-	-	905,513	905,513
Lease liabilities	9.60	-	235,484	1,004,491	280,766	-	1,520,741
Convertible note	6.00	-	-	3,611,566	-	-	3,611,566
Derivative liability	-	-	-	1,810,494	-	-	1,810,494
Other borrowings	1.0	-	-	460,352	-	-	460,352
	-	-	235,484	6,886,903	280,766	905,513	8,308,666
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
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

(b) Interest rate risk

At 30 June 2020, 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 Company would have been \$47,413 higher (2019: \$38,433 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 Company currently conducts its operations across international borders. A large proportion of the Company'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. 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 Company 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 Australian dollar and to a lesser degree UK pound sterling may impact on the Company's financial results. The following table shows the foreign currency risk on the financial assets and liabilities of the Company's operations denominated in currencies other than the functional currency of the operations.

	Net Financial Assets/(Liabilities) in USD			
	USD	AUD	GBP	Total USD
2020				
Australian dollar	42,523,293	-	282,820	42,806,113
US dollar	-	(42,523,293)	(559,032)	(43,082,325)
UK pound sterling	559,032	(282,820)	-	276,212
Statement of financial position exposure	43,082,325	(42,806,113)	(276,212)	-
2019				
Australian dollar	39,186,654	-	291,446	39,478,100
US dollar	-	(39,186,654)	(560,632)	(39,747,286)
UK pound sterling	560,632	(291,446)	-	269,186
Statement of financial position exposure	39,747,286	(39,478,100)	(269,186)	-

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

(d) Credit Risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents. The Company'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 Company does not hold any credit derivatives to offset its credit exposure. The Company's exposure to credit risk is minimal. Total bad debt expense for the year was nil. As the Company 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 Company 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.

The Company's non-derivative financial liabilities have contractual maturities as summarised below:

	Current	1-5 Years	5+ years
2020			
Trade and other payables	905,513	-	-
Lease liabilities	235,484	1,004,491	280,766
Borrowings	-	5,981,427	-
Statement of financial position exposure	1,140,997	6,985,918	280,766
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	-

(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 2020 and 2019, 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 Company'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.

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 four years.

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

	Level 1	Level 2	Level 3	Total
2020				
Derivative liability	-	-	1,810,494	1,810,494
Statement of financial position exposure	-	-	1,810,494	1,810,494
2019				
Derivative liability	-	-	658,141	658,141
Statement of financial position exposure	-	-	658,141	658,141

There were no Level 1 or Level 2 transfers in 2020 or 2019.

23. PARENT ENTITY INFORMATION

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

	2020	2019
Current Assets	1,656,632	698,849
Non-current assets	7,794,935	7,067,227
Total Assets	9,451,567	7,766,076
Current Liabilities	233,638	128,786
Long Term Liabilities	3,790,372	7,254,294
Total Liabilities	4,024,010	7,383,080
Contributed equity	65,943,807	54,367,832
Accumulated losses	(61,355,889)	(60,641,008)
Performance rights reserves	113,569	1,021,204
Option reserves	726,070	5,634,968
Total Equity	5,427,557	382,996
Loss for the year	(6,314,423)	(6,971,414)



24. COMMITMENTS AND CONTINGENCIES

The Company has the following contingent liabilities and commitments:

(a) Commitments

The Company does not have any commitments beyond those disclosed as disclosed in the notes above.

(b) Contingencies

The Company has no contingent liabilities.

25. DIVIDENDS

No dividend has been declared or paid during the current financial year or the prior financial year. The Company does not have any franking credits available for current or future years as it is not in a tax paying position.

26. SUBSEQUENT EVENTS

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



The Directors of the Company declare that:

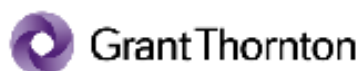
1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations 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 2020 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 2020, 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 28 August 2020



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Independent Auditor's Report

To the Members of Alexium International Group Limited

Report on the audit of the financial report

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 2020, the consolidated statement of 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, 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 2020 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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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.

Key audit matter	How our audit addressed the key audit matter
Intangible assets – impairment testing (Note 12)	
<p>As disclosed in Note 12, the Group continues to capitalise development costs in relation to its on-going projects. These have a net book value of \$2,674,426 at 30 June 2020.</p> <p>In accordance with AASB 136 <i>Impairment of Assets</i>, the Group is required to test these assets for impairment on a yearly basis.</p> <p>Considerable management judgement and estimation is applied in preparing a valuation model to test the assets for impairment.</p> <p>This area is a key audit matter due to the significant management judgement involved in assessing the recoverable amount of intangible assets and their associated Cash Generating Units ("CGUs").</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • reviewing management's valuation methodology supporting their impairment assessment; • assessing management's determination of the Group's CGU's based on our understanding of how management monitors the entity's operations and makes decisions about groups of assets that generate independent cash flows; • reviewing the impairment model for compliance with AASB 136; • verifying the mathematical accuracy of the underlying model calculations and assessing the appropriateness of the methodologies; • evaluating the cash flow projections and the process by which they were developed; • performing sensitivity over key assumptions in the model, including but not limited to, revenue growth and discount rate assumptions; • evaluating for indicators of management bias throughout our evaluation of the key inputs and assumptions of the estimate; • consulting with our valuation expert to evaluate the model and key inputs; and • assessing the adequacy of financial report disclosures on the application of judgement in estimating future cash flows and the key methods and assumptions used in the impairment assessment.
Borrowings and embedded derivative liability – Note 2(m), (n) and Note 15	
<p>During the year, a previous debt facility was extinguished and a new convertible note facility entered into.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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 new loan agreement and considering the appropriateness of the accounting treatment; • testing management's assumptions used in the calculation of the fair value of the embedded derivative; • 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; • obtaining a debt confirmation to ensure the balance reported is free from material misstatement; • tracing the funds received and reimbursed into the respective financial institutions; • testing the mathematical accuracy of the calculation of the derivative liability and challenging managements approach and assumptions in determining the fair value through reference to market data; and • assessing the appropriateness of the financial statement disclosures.



Key audit matter

How our audit addressed the key audit matter

Going concern – note 2(x)

In preparing the financial report, the Group has adopted a going concern basis of preparation, as the Directors believe they have reasonable grounds to expect that they will have sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due. To support this basis of preparation, the Group has prepared a going concern position paper and cash flow forecast model.

Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing the future funding and operational status.

In assessing the appropriateness of the going concern basis of preparation for the financial report, we performed a number of procedures including the following:

- reviewing management's assessment of going concern and cash flow forecast to assess whether current cash levels and forecast revenue can sustain operations for a period of at least 12 months from the proposed date of signing;
- assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results and our understanding of the business, industry and economic conditions of the Group;
- assessing the reasonableness of mitigating factors determined by management and the Directors;
- performing sensitivity analyses on the forecast cash flows;
- agreeing year end cash balances to bank confirmations to gain comfort around the opening balances used in the cash flow forecast; and
- reviewing the disclosures to be included in the financial report for appropriateness.

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 2020, 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: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.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 the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Alexium International Group Limited, for the year ended 30 June 2020 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 Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance
Sydney, 28 August 2020



The shareholder information set out below was applicable as at 11 August 2020.

Quoted equity securities

634,456,542 fully paid ordinary shares are held by 4,502 shareholders.

Unquoted equity securities

Date Options/Warrants Granted	Expiry Date	Exercise price of shares	No. under options
01-Oct-15	30-Sep-20	A\$ 0.75	1,500,000
04-Nov-16	04-Nov-19	A\$ 0.75	300,000
04-Nov-16	04-Nov-19	A\$ 1.25	300,000
04-Nov-16	04-Nov-19	A\$ 1.75	300,000
31-Dec-19	29-Mar-23	A\$ 0.35	4,255,319

Shareholder distribution

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

Holding Range Units	Holders	Total Units	% Issued Share Capital
1 - 1,000	481	194,969	0.03%
1,001 - 5,000	1,077	3,199,246	0.50%
5,001 - 10,000	684	5,473,803	0.86%
10,001 - 100,000	1,720	65,122,336	10.26%
100,001 - 999,999,999	540	560,466,188	88.34%
	4,502	634,456,542	100.00%

Unmarketable parcels

Holding Range Units	Holders	Total Units	% Issued Share Capital
Minimum parcel A\$500 at \$0.060 per unit	1,936	5,919,899	0.93%

Substantial holders

Rank	Name	Total Units	% Issued Share Capital
1	COLINTON CAPITAL PARTNERS PTY LTD - COLINTON CP FUND 1 (A) A/C	71,145,234	11.21%
2	SANDHURST TRUSTEES LTD - WENTWORTH WILLIAMSON A/C	58,826,712	9.27%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	50,497,322	7.96%
4	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS - L & FJ PHILLIPS PENS F A/C	36,803,605	5.80%

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	COLINTON CAPITAL PARTNERS PTY LTD - COLINTON CP FUND 1 (A) A/C	71,145,234	11.21%
2	SANDHURST TRUSTEES LTD - WENTWORTH WILLIAMSON A/C	58,826,712	9.27%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	50,497,322	7.96%
4	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS - L & FJ PHILLIPS PENS F A/C	36,803,605	5.80%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,460,535	3.54%
6	NAAM GROUP PTY LTD - NAAM INVESTMENT A/C	18,874,256	2.97%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	13,835,189	2.18%
8	BOND STREET CUSTODIANS LIMITED - LAM1 - D08059 A/C	9,966,667	1.57%
9	DDH GRAHAM LIMITED - THE LUGARNO FUND A/C	9,200,000	1.45%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - EUROCLEAR BANK SA NV A/C	8,337,055	1.31%
11	MR HERMAN BROOKINS	8,333,333	1.31%
12	DUCKY'S LIFELINE PTY LTD - THE R EDWARDS SUPER A/C	8,200,552	1.29%
13	MNM CAPITAL PTY LTD - BRIGHT FUTURE A/C	6,658,082	1.05%
14	CITICORP NOMINEES PTY LIMITED	6,174,040	0.97%
15	MR MARTIN KEITH THOMAS & MRS HELEN PATRICIA THOMAS	5,431,500	0.86%
16	LOMAND SERVICES LIMITED	5,281,500	0.83%
17	CANNOW PTY LTD - C & T FAMILY S/FUND A/C	4,400,000	0.69%
18	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS - SL & FJ PHILLIPS S/F A/C	4,280,000	0.67%
19	DAVID RIVETT PTY LIMITED - SUPER FUND A/C	4,000,000	0.63%
20	BOND STREET CUSTODIANS LIMITED - LAM1 - D08047 A/C	3,772,798	0.59%