

CHEMICAL INNOVATIONS

ALEXIUM INTERNATIONAL GROUP LIMITED

Half-Year Financial Report Six Months to 31 December 2015

REVENUE GROWTH SUMMARY

- Alexium secured significant growth during this current reporting period. The Company increased revenue from ordinary activities by 942% to \$1,249,778 from the previous reporting period (1 July 2014 to 31 December 2014).
- Customer sales were \$973,121 during the reporting period resulting in a 5,922% increase over the previous reporting period ended 31 December 2014

HALF-YEAR COMMENTARY

During the period, the Group's net loss of \$9,008,753 (up from \$5,412,108 for the half-year ended 31 December 2014) was largely attributable to three factors. First, the Group filled seven key roles to the organization including: four chemists to increase lab bandwidth, a Sales Representative and a Marketing Manager to increase customer awareness and market presence as well as a HR Manager to facilitate and customer the continual staff growth. Secondly, the Group paid \$3,418,204 in share-based payments (up from \$381,018 for the half-year ended 31 December 2014). Lastly, Alexium's opportunities resulted in a sizable expansion of its scale-up efforts towards commercial sale of its Alexiflam™ chemistries with a wide range of customers across multiple markets. This expansion resulted in substantially larger inventory purchases during the period.

Commenting on the reporting period, CEO, Nicholas Clark stated:

"In our outlook statement from our Foundations for 2016 announcement (released December 2015), we stated,

To date, Alexium has been rapidly delivering on its target of establishing a global footprint. Leading into 2016 we have already secured over 45 customers for a potential of US\$18.5M (baseline) of earnings.

This half-year report validates that we remain on track for all of the 2016 milestones."

U.S. CONTACTS:**Nick Clark**

Chief Executive Officer

nclark@alexiuminternational.com

U.S: +1 864.991.6687

Bradi Dobson

Marketing Manager

bdobson@alexiuminternational.com

U.S: +1 864.354.6979

U.S. R&D CENTER:

8 Distribution Court

Greer, South Carolina

29650 USA

Phone: +1 864 416 1060

Fax: +1 864 752 6465

ABN: 91 064 820 408**ASX: AJX****U.S. CORPORATE OFFICE:**

148 Milestone Way

Greenville, South Carolina

29650 USA

Phone: +1 864 416 1165

Fax: +1 864 752 6465

ABOUT ALEXIUM

Alexium International Group Limited (ASX:AJX, AX:AJX OTC QX: AXXIY) holds proprietary patent applications for a process developed initially by the U.S. Department of Defense, which allows for the surface modification and attachment of nano-particles or multiple chemical functional groups to surfaces or substrates to provide functions such as fire retardancy, water proofing, oil proofing, and anti-microbial treatments. Applications under development include but are not limited to textiles, paints, and packaging, glass and building materials. Alexium's fire retardant chemical treatments are currently marketed for different fabric markets under the Alexiflam[™], Ascalon[™], Nuvalon[™], and Polytron[™], Omnitrion[™] and Bactron[™] trademarks.



ALEXIUM INTERNATIONAL GROUP LIMITED

ABN 91 064 820 408

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015

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SUPPLEMENTARY APPENDIX 4D INFORMATION

ALEXIUM INTERNATIONAL GROUP LIMITED ABN 91 064 820 408

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

Current reporting period: 1 July 2015 to 31 December 2015
Previous reporting period: 1 July 2014 to 31 December 2014

				\$A
Revenue from ordinary activities	Up	942%	to	\$1,249,778
Loss from ordinary activities after tax attributable to members	Up	66%	to	(\$9,008,753)
Net loss for the period attributable to members	Up	66%	to	(\$9,008,753)

Dividends	Amount per security	Franked amount per security
Interim dividend declared this period	Nil	Nil
Interim dividend declared and paid in previous corresponding period	Nil	Nil
Final dividend 2015	Nil	Nil

Explanation of revenue from ordinary activities

The Group's revenue during the reporting period represents chemical sales to customers in the textile industry, grant income from the South Carolina Research Authority for chemical research under the Bi-National Cooperative Agreement, and interest received on its bank account balances. The primary contributor to the increase in revenue between the current period and previous period is due to a significant increase in sales of chemicals to customers. While grant income continues to contribute to the overall revenue for the Group, the focus moving forward will be continued growth in the sale of environmentally friendly flame retardant chemistry in the textile industry and adjacent markets.



ALEXIUM INTERNATIONAL GROUP LIMITED
ABN 91 064 820 408**Explanation of loss from ordinary activities after tax attributable to members and net loss for the period attributable to members**

The increase in loss is due to increased spending for travel, research and development expenses related to customer needs, increased inventory on hand and development of new chemistry as well as professional fees. Alexium has also added seven additional staff including four chemists and one member each to the HR, Marketing, and Sales departments. These additions allowed Alexium to manage increasing product interest and customer opportunities as well as add more structure around the increasing staff size.

Net Tangible Assets	31/12/15	31/12/14
Net Tangible Asset backing per ordinary shares	3.71 cents	1.08 cents

Controlled entities acquired or disposed of

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

Additional dividend/distributions information

Not applicable

Dividend/distribution reinvestment plans

None

Associates and joint venture entities

None



DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2015.

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

Mr Gavin Rezos
Mr Nicholas Clark
Mr Craig Metz
Mr Craig Smith-Gander
Brigadier General Stephen Cheney

RESULTS AND REVIEW OF OPERATIONS

The Group's net loss attributable to members of the Company for the half-year ended 31 December 2015 was \$9,008,753 (half-year ended 31 December 2014 net loss: \$5,412,108). There was an overall increase in expenditure on operations compared to the corresponding year for two primary reasons: first, in this financial period, Alexium went through a sizable expansion of its scale-up efforts towards commercial sale of its Alexiflam™ chemistries with a wide range of customers across multiple markets. These efforts necessitate increased spending for travel, research and development expenses related to customer needs, increased inventory on hand and development of new chemistry. Secondly, to meet increasing demand for Alexium products, The Group hired four chemists to increase lab bandwidth, a Sales Representative and a Marketing Manager to increase customer awareness and market presence, and a HR Manager to facilitate and support the continual staff growth.

As at 31 December 2015 the cash position was \$10,195,969 (30 June 2015: \$11,621,603) and the Company had 286,087,714 ordinary shares on issue (30 June 2015: 261,350,490)

SUBSEQUENT EVENTS

Except for events disclosed elsewhere in this report, no other significant event has occurred since the end of the financial year that may have a significant impact on the financial position of the group.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the consolidated half-year financial statements.

Dated this 29th day of February 2016.

Signed in accordance with a resolution of the Directors.



Nicholas Clark
Chief Executive Officer



Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To The Directors of Alexium International Group Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alexium International Group Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 29 February 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Revenue	4	1,249,778	119,934
Cost of Sales		(1,037,355)	(10,185)
Administrative and other expenses		(944,189)	(433,246)
Employee benefits expense		(1,847,440)	(938,667)
Depreciation and amortisation		(103,036)	(61,967)
Loss from embedded derivative		-	(2,640,058)
Impairment expenses		-	(166,556)
Interest expenses		(133)	(137,939)
Research and development		(951,360)	(320,643)
Professional expenses		(1,553,930)	(303,384)
Marketing and external affairs		(402,884)	(138,379)
Share-based payments	7	(3,418,204)	(381,018)
Loss before income tax		(9,008,753)	(5,412,108)
Income tax benefit		-	-
Loss attributable to members of the Company		(9,008,753)	(5,412,108)
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss		-	-
Items that may be subsequently classified to profit or loss		507,632	479,916
Total comprehensive income / (loss) for the period		(8,501,121)	(4,932,192)
Total comprehensive income / (loss) attributable to the members of the Company		(8,501,121)	(4,932,192)
Loss per share (cents)			
Basic		(4.15)	(2.82)
Diluted		(4.15)	(2.82)

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	10,195,969	11,621,603
Trade and other receivables		90,090	119,277
Other current assets		497,839	170,430
Total Current Assets		10,783,898	11,911,310
Non-Current Assets			
Other financial assets		12,331	7,834
Property, plant and equipment		536,136	514,619
Intangible assets		174,913	184,847
Total Non-Current Assets		723,380	707,300
Total Assets		11,507,278	12,618,610
LIABILITIES			
Current Liabilities			
Trade and other payables		635,141	638,484
Provisions		59,987	56,613
Other – deferred income		34,597	116,676
Total Current Liabilities		729,725	811,773
Total Liabilities		729,725	811,773
NET ASSETS		10,777,553	11,806,837
EQUITY			
Contributed equity	6	45,417,029	41,363,396
Reserves	8	8,342,918	4,417,082
Accumulated losses		(42,982,394)	(33,973,641)
TOTAL EQUITY		10,777,553	11,806,837

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed equity	Reserves	Consolidated accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2015	41,363,396	4,417,082	(33,973,641)	11,806,837
Loss for the period	-	-	(9,008,753)	(9,008,753)
Foreign currency translation	-	507,632	-	507,632
Total comprehensive income / (loss)	-	507,632	(9,008,753)	(8,501,121)
Transactions with owners in their capacity as owners:				
Issued capital	-	-	-	-
Share issue costs	-	-	-	-
Performance rights expensed	-	395,850	-	395,850
Options exercised	3,496,573	-	-	3,496,573
Share-based payment	-	3,022,354	-	3,022,354
Share-based payment in lieu of salary	557,060	-	-	557,060
Balance at 31 December 2015	45,417,029	8,342,918	(42,982,394)	10,777,553
Balance at 1 July 2014 (as previously reported)	24,773,640	523,678	(15,942,775)	9,354,543
Adjustments on correction	31,699	(74,196)	(6,267,300)	(6,309,797)
Balance restated at 1 July 2014	24,805,339	449,482	(22,210,075)	3,044,746
Loss for the period	-	-	(5,412,108)	(5,412,108)
Foreign currency translation	-	479,916	-	479,916
Total comprehensive income / (loss)	-	479,916	(5,412,108)	(4,932,192)
Transactions with owners in their capacity as owners:				
Issued capital	2,712,473	383,233	-	3,095,706
Share issue costs	(34,288)	(5,716)	-	(40,004)
Performance rights expensed	-	-	-	-
Options exercised	997,250	-	-	997,250
Share-based payment	-	235,273	-	235,273
Share-based payment in lieu of salary	345,745	-	-	345,745
Balance at 31 December 2014 (Note 3)	28,826,519	1,542,188	(27,622,183)	2,746,524

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated	Consolidated
		31 December	31 December
		2015	2014
Notes		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		1,240,212	151,381
Cash payments to suppliers and employees		(6,715,034)	(1,973,205)
Goods & Services tax received from ATO		30,608	19,228
Interest received		24,418	13,976
Net cash flows used in operating activities		(5,419,796)	(1,788,620)
Cash flows from investing activities			
Increase in intangibles		(41,122)	(17,752)
Purchase of property, plant and equipment		(64,568)	(14,534)
Net cash flows used in investing activities		(105,690)	(32,286)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		3,496,573	2,647,251
Convertible Notes Interest Paid		-	(77,496)
Payment of share issue costs		-	(34,288)
Net cash flows provided by financing activities		3,496,573	2,535,467
Net increase in cash and cash equivalents		(2,028,913)	714,561
Cash and cash equivalents at beginning of period		11,621,603	4,197,460
Effect of exchange rate changes on cash and cash equivalents		603,279	361,916
Cash and cash equivalents at end of period	5	10,195,969	5,273,937

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



1. CORPORATE INFORMATION

The financial report of Alexium International Group Limited (“the Company”) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 29 February 2016.

Alexium International Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated half-year financial statements does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The consolidated half-year financial statements should be read in conjunction with the annual financial report of Alexium International Group Limited as at 30 June 2015.

It is also recommended that the consolidated half-year financial statements be considered together with any public announcements made by Alexium International Group Limited and its controlled entities (“the Group”) during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The consolidated half-year financial statements is a general-purpose financial report, which has been prepared in accordance with the requirement of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The consolidated half-year financial statements has been prepared on a historical cost basis, except where stated. For the purpose of preparing the consolidated half-year financial statements, the half-year has been treated as a discrete reporting period.

(b) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial statements are consistent with those adopted and disclosed in the Group’s 2015 annual financial report for the financial year ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Alexium International Group Limited has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The application of the new or revised Standards and Interpretations does not have a material impact on the accounting policies or disclosures.



(c) Principles of Consolidation

The consolidated half-year financial statements incorporate all of the assets, liabilities and results of the parent (Alexium International Group Limited) and all of the subsidiaries (including any structured entities). 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 has the ability to affect those returns through its power over the entity.

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

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

(d) Significant Accounting Policies

Share-based payments

Employees (including senior executives) and suppliers of the Group receive remuneration in the form of share-based payments, whereby employees and suppliers render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 2(e).

That cost is recognised in employee benefits expense (for employees) and respective profit or loss accounts (for suppliers), together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.



Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(e) Significant Accounting Judgements, Estimates and Assumptions

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

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends 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 or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. 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 the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model.



**NOTES TO CONDENSED CONSOLIDATED
HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

(f) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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

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

3. PRIOR PERIOD ADJUSTMENTS

Note 3 of the annual financial report of Alexium International Group Limited as at 30 June 2015 details the prior period adjustments made for the period ended 30 June 2015. The accounting impact of the prior period adjustments for the six months ended 31 December 2014 are as follows:

	Previous Amount \$ DR / (CR)	Adjustment \$ DR / (CR)	Restated Amount \$ DR / (CR)
Intangible assets	8,537,288	(8,329,752)	207,536
Convertible notes	(748,345)	191,247	(557,098)
Derivative liabilities	-	(2,463,240)	(2,463,240)
Deferred tax liability	(2,478,165)	2,478,165	-
Contributed equity	(28,444,602)	(381,917)	(28,826,519)
Reserves	(1,250,422)	(291,766)	(1,542,188)
Accumulated losses	18,824,920	8,797,263	27,622,183

4. REVENUE

	31 December 2015 \$	31 December 2014 \$
Sales	973,121	16,430
Interest income	24,427	13,976
Grant income	252,230	87,237
Other Income	-	2,291
	<u>1,249,778</u>	<u>119,934</u>



5. CASH AND CASH EQUIVALENTS

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2015 \$	30 June 2015 \$
Cash at bank and in hand	10,195,969	11,621,603
	<u>10,195,969</u>	<u>11,621,603</u>

6. CONTRIBUTED EQUITY

(a) Shares Issued

The number of ordinary shares on issue at 31 December 2015 are 286,087,714 (30 June 2015: 261,350,490).

Movements in Shares

	31 December 2015	
	Number	\$
Balance of ordinary shares at beginning of period	261,350,490	41,363,396
Shares issued on conversion of performance rights	8,385,000	-
Shares issued on conversion of options	15,726,353	3,496,573
Shares issued in lieu of salary/service	625,871	557,060
Balance of ordinary shares at end of period	<u>286,087,714</u>	<u>45,417,029</u>

(b) Share Options Issued

At 31 December 2015, 7,903,167 (30 June 2015: 11,730,000) free attaching unlisted options were outstanding and 10,715,000 (30 June 2015: 18,095,000) share-based payment options were outstanding. 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.



**NOTES TO CONDENSED CONSOLIDATED
HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

Movements in Share Options

	Grant Date	Exercise price	Expiry date	Balance at beginning of period	Granted during the period	Exercised during the period	Forfeited/ expired during the period	Reinstated during the period	Balance at end of period
Unlisted options	21/03/11	\$0.15	31/12/15	4,355,000	-	(4,124,520)	(230,480)	-	-
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	(5,000,000)	-	-	-
Unlisted options	21/03/11	\$0.25	31/12/15	1,000,000	-	(1,000,000)	-	-	-
Unlisted options	30/11/12	\$0.08	31/12/16	2,500,000	-	(1,000,000)	-	-	1,500,000
Unlisted options	22/06/11	\$0.10	24/06/16	540,000	-	-	-	-	540,000
Unlisted options	10/11/14	\$0.25	09/11/16	3,930,000	-	(2,943,459)	-	-	986,541
Unlisted options	10/11/14	\$0.198	09/11/17	750,000	-	-	-	-	750,000
Unlisted options	01/09/14	\$0.18	31/08/17	450,000	-	(275,000)	-	-	175,000
Unlisted options	13/05/15	\$0.70	31/12/17	1,000,000	-	(500,000)	-	-	500,000
Unlisted options	13/05/15	\$0.80	31/12/17	1,000,000	-	-	-	-	1,000,000
Unlisted options	20/05/15	\$0.13	31/08/17	1,500,000	-	-	-	-	1,500,000
Unlisted options	06/05/15	\$0.75	07/05/18	7,800,000	-	(883,374)	-	-	6,916,626
Unlisted options	06/08/15	\$0.16	31/08/17	-	1,500,000	-	-	-	1,500,000
Unlisted options	01/10/15	\$0.75	30/09/20	-	1,500,000	-	-	-	1,500,000
Unlisted options	04/11/15	\$0.18	31/08/17	-	1,500,000	-	-	-	1,500,000
Unlisted options	09/11/15	\$1.207	09/11/17	-	125,000	-	-	-	125,000
Unlisted options	09/11/15	\$1.314	09/11/17	-	125,000	-	-	-	125,000
				29,825,000	4,750,000	(15,726,353)	(230,480)	-	18,618,167

(c) Performance Rights Issued

The number of performance rights on issue at 31 December 2015 are 3,250,000 (30 June 2015: 8,500,000).

Movements in Performance Rights

	31 December 2015	31 December 2015
	Number	\$
Balance of performing rights at beginning of period	8,500,000	464,100
Performance rights forfeited	(115,000)	(6,279)
Performance rights converted to shares	(8,385,000)	(457,821)
Performance rights issued	3,250,000	395,850
Balance of performance rights at end of period	3,250,000	395,850



As announced on the 9 October 2015, Alexium issued 3,250,000 performance rights to directors. In order to vest, milestone one and any two of the other milestones will need to be achieved from the date of despatch of the Notice until 30 June 2017 (the Period).

1. Share Price Appreciation

The price of Shares as traded on ASX must equal or exceed \$1.2520, over a five-day volume weighted average closing price during the Period, being the price which is a 40% premium to the 20 day volume weighted average closing price per Share, calculated as at 17 September 2015, being the date immediately prior to this Notice.

2. Revenue of not less than \$15m for the Period

The Company must achieve at least \$15m in revenues during the Period.

3. Achieving Initial Product Sales in Non-Textile Areas

The Company must achieve either direct product sales revenues or licencing revenues in new product development areas outside textiles or the textile market during the Period.

4. Product Sales for Chem/Bio Protection

The Company must achieve either direct product sales revenues or licencing revenues from its RST applications on Chemical and Biological Protection ensembles during the Period.

5. US Department of Defense Contracts

The Company must enter into, directly or through a supplier, at least one significant contract with an arm or agency of the US Department of Defense during the Period in relation to products utilising FR technology.

6. Rest of the World Contracts

The Company must enter into, directly or through partners, at least two new significant contracts for the sale or licencing of FR formulations to customers located outside the United States, during the Period.

7. NYSE Markets Quotation

The Company's ordinary shares or American Depositary Receipts being quoted and trading on the New York Stock Exchange or any subsidiary exchange thereof relevant to companies the size of the Company during the Period.

8. S&P ASX 300 Index

That the Company's ordinary shares or equivalent depositary receipts trading on the ASX are included in the S&P ASX 300 Index.



**NOTES TO CONDENSED CONSOLIDATED
HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

7. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses - options

	31 December 2015	31 December 2015	31 December 2015
	Number	Value per option \$	\$
- Services rendered	3,000,000	0.687775	2,063,324
- Directors	1,750,000	0.548017	959,030
			<u>3,022,354</u>

The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following principal assumptions were used in the valuation:

	Services Rendered		Directors		
Spot price of the asset	0.75	0.95	1.05	0.87	0.87
Exercise price	0.16	0.18	0.75	1.2070	1.3140
Risk free rate (%)	1.935%	1.84%	2.13%	2.015%	2.015%
Start date	06/08/2015	4/11/2015	1/10/2015	9/11/2015	9/11/2015
Expiry date	31/08/2017	31/08/2017	30/09/2020	9/11/2017	9/11/2017
Annual volatility of assets	55.5%	55.5%	55.5%	55.5%	55.5%

(b) Summary of Options Granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share-based payments options during the half-year to 31 December 2015.

	Half-Year Ended			
	31 December 2015 No.	31 December 2015 WAEP	31 December 2014 No.	31 December 2014 WAEP
Outstanding at the start of the period	29,825,000	\$0.36	19,415,000	\$0.16
Granted/reinstated during the period	4,750,000	\$0.41	3,000,000	\$0.18
Exercised/expired/cancelled during the period	(15,956,833)	\$0.22	(3,450,000)	\$0.24
Outstanding at the end of the period	<u>18,618,167</u>	<u>\$0.49</u>	<u>18,965,000</u>	<u>\$0.15</u>



**NOTES TO CONDENSED CONSOLIDATED
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

The weighted average remaining contractual life of the share options outstanding at 31 December 2015 is 2.08 years (31 December 2014: 1.76 years).

(c) Recognised share-based payment expenses – performance rights

Based on the assumptions set out below, the performance rights issued during the period were ascribed the following value:

Assumptions:	
Valuation Date	9 November 2015
Market Price of Shares	87 cents
Price Payable on Vesting	Nil
Discount (probability – market based condition)	80%
Discount (unlisted status and transferability restrictions)	30%
Value per Performance Right	12.18 cents
Total Value of Director Performance Rights	\$395,850

8. RESERVES

	Option premium reserve	Performance rights reserve	Foreign currency translation reserve	Total reserve
Balance at 1 July 2015	3,304,317	363,510	749,255	4,417,082
Share-based payment expense	3,022,354	-	-	3,022,354
Performance rights expense	-	395,850	-	395,850
Foreign currency translation differences arising during the year	-	-	507,632	507,632
Balance at 31 December 2015	6,326,671	759,360	1,256,887	8,342,918



9. DIVIDENDS

No dividend has been declared or paid during the half-year or the previous corresponding period.

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

10. SUBSEQUENT EVENTS

Except for events disclosed elsewhere in this report, no other significant event has occurred since the end of the financial year that may have a significant impact on the financial position of the Group.

11. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There have been no material changes to the commitments as disclosed in the annual report to 30 June 2015.

(b) Contingencies

There have been no material changes to the contingencies as disclosed in the annual report to 30 June 2015.



DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Alexium International Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the Consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Nicholas Clark
Chief Executive Officer
29 February 2016



Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Alexium International Group Limited

We have reviewed the accompanying half-year financial report of Alexium International Group Limited ("Company"), which comprises the consolidated financial statements being the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Alexium International Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Alexium International Group Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Alexium International Group Limited,

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ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alexium International Group Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 29 February 2016