

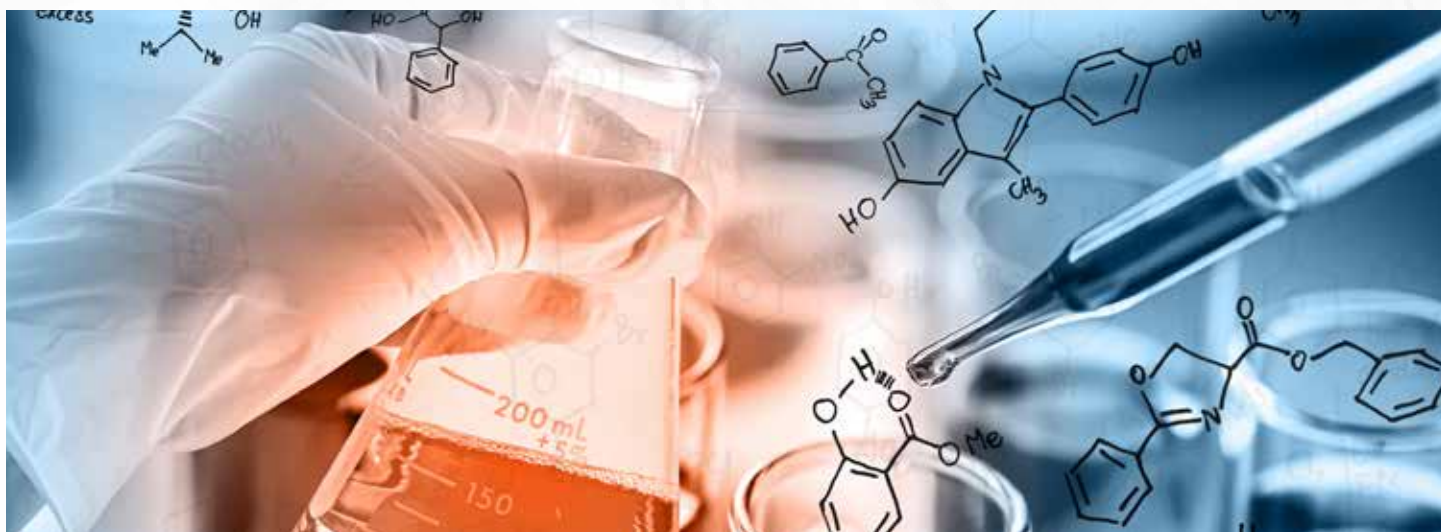
FY 2016
PRELIMINARY FINAL REPORT
31 AUGUST 2016



ALEXIUM
SPECIALTY CHEMICALS AND SOLUTIONS



FY2016 Achievements



The focus of the Company for the financial year ended 30 June 2016 was sales, resulting in the first year of significant revenue generation for Alexium and validating the Company's award-winning, environmentally friendly technology and market demand for the Company's proprietary products. The successful completion of a \$6 million institutional placement is indicative of the confidence shown by institutional shareholders regarding Alexium's strategies for growth and sales momentum.

Revenue	<p>\$3.5 million up 732% over FY2015.</p> <p>The first year of significant chemistry sales occurred in FY2016, an important milestone as the Company moved from development to revenue generation.</p>
Cash at Bank	<p>\$11.2 million placing the Company in a strong financial position to pursue rapid growth. This number is supported by increasing sales revenue and a successful completion of an institutional placement of \$6 million in April 2016</p>
Customer Pipeline	<p>The Company has 165 new customers and customers engaged in the field, production or sample test trials. The majority of Alexium's customers are U.S. based, but increasingly from around the globe following the appointment of distributors in key non U.S. markets.</p>
Scale-up and Implementation	<p>The Company has 22 customers, representing US\$19.9 million, in the final testing stage (pre-scale up of production and sales orders). In this phase of the pipeline, testing and verification of chemistry has been completed, marking the final phase before recurring revenue generation.</p>
Retention Rate	<p>94% retention, validating market demand for environmentally friendly technology and Alexium's proficiency as a solutions provider for cost-effective and performance enhancing flame retardant and specialty chemical treatment solutions.</p>



FY2016 RESULTS OVERVIEW

Revenue increase of 732%

Alexium had significant growth in sales in FY 2016. The Company broadened the distribution network and expanded the Alexiflam™ suite of products during the period.

The Company's sales pipeline increase of 650%

The Company's sales pipeline, which has grown from 20 to 165, represents future revenue.

Launch of two new proprietary chemistries

Significant sales growth has resulted from the FY 2016 launch of Alexicool™ a phase change material that makes fabrics that retain heat, feel cool to the touch.

Alexiflam NF™ a revolutionary flame retardant treatment for cotton was just launched for sale into Europe.

Expansion into new international markets

Sales have increased worldwide due to the successful implementation of a global distribution network.

Alexium has a presence in Europe, Asia, the Middle East, South America, Australia and New Zealand through over 70 sales executives employed by our distributors. The Company also has toll manufacturing relationships in Australia and Europe with planned new relationships in Asia and Latin America to meet demand.

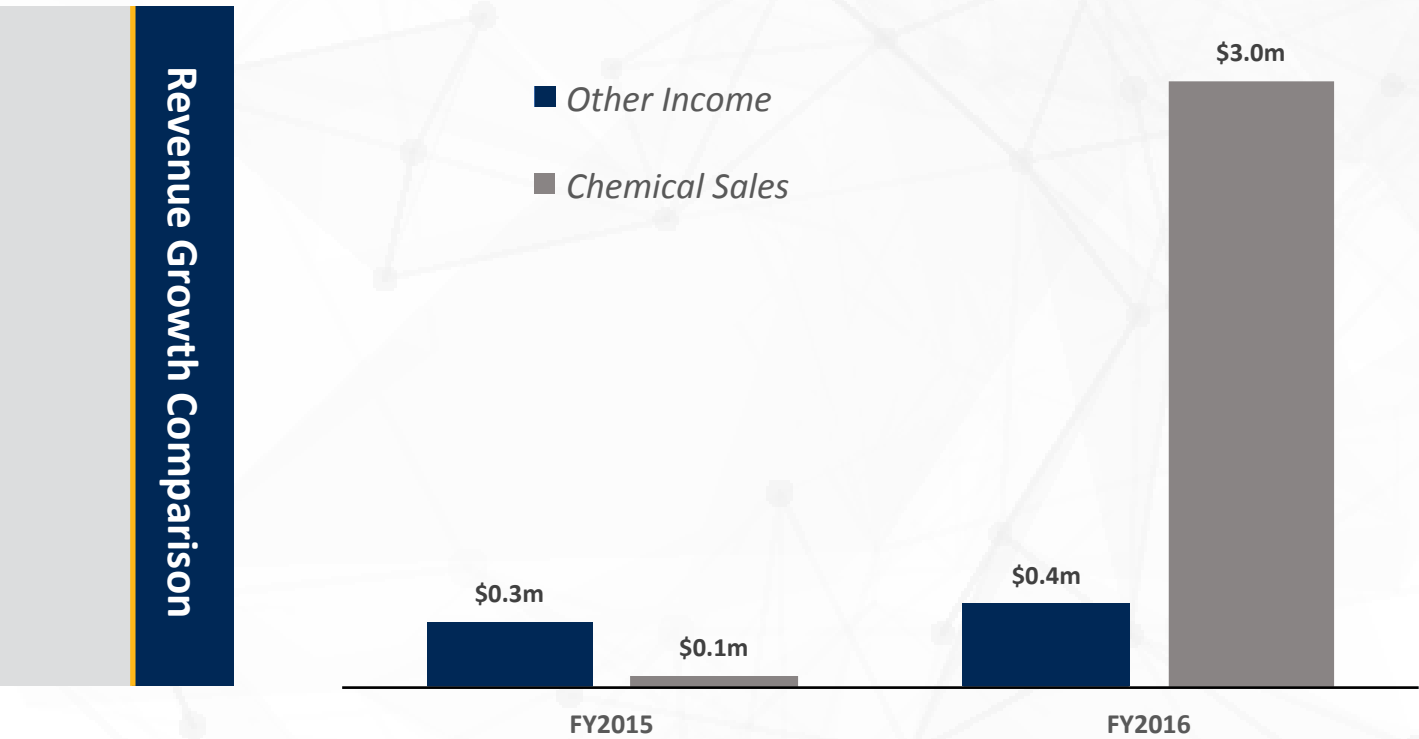
Growth in new industry sectors

New technologies such as Alexicool™ and Alexiflam NF™ have resulted in expansion of industries targeted by the Company.

Additionally, the Company has expanded into the large and profitable electronics and building industries by securing customers in areas such as flame retardant resins for circuit boards.



FY2016 RESULTS OVERVIEW (CONT.)





FY2016 GROWTH IN REVENUE

Sales of Alexium's flame retardants in the coatings/polymers industry

Alexium successfully entered the coatings and polymers sector, a vast, global market including plastics, resins, coatings, adhesives and laminations.

Sales in bedding, outdoor and home furnishings.

The Company's client base now includes the majority of U.S. based bedding manufacturers, further solidifying Alexium's position as a leader in innovative technologies and customized solutions for customers in the textiles industry.

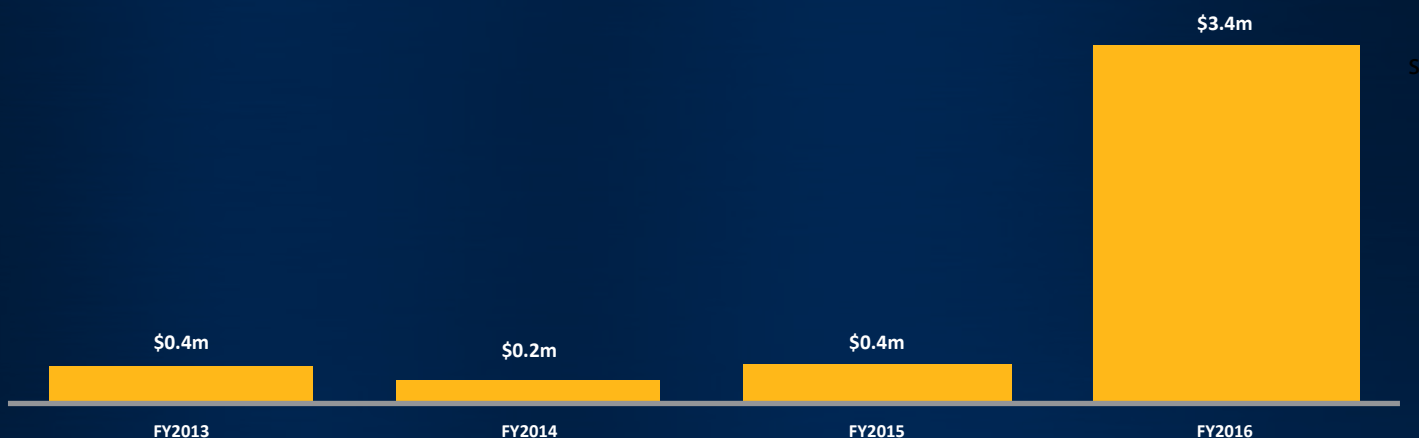
Launch of Alexicool™ and Alexiflam NF™ opening up new markets for the Company.

The Company's newest technology, Alexiflam NF™ is ideal for tenting, workwear and other markets utilizing cotton rich fabrics.

Establishment of new distribution network in Europe, Asia, South America, Australia and New Zealand.

Of those customers in the sales pipeline outside of the U.S., 25% were sourced through the global distribution network.

FY2016 GROWTH IN REVENUE CHART





Q1 FY2017 RESULTS TO DATE

Addition of four new, major customers and purchase of proprietary chemistries by iTextiles for European, Asian and Middle Eastern markets.

Provides company growth, validates company technology and supports company's future revenue potential for large non-U.S. markets.

Identification and contact of 365 target leads for Alexicool™

Active prospecting is underway, with 240 leads in the U.S. and 125 in Europe. The two newest clients for Alexicool™ represent a total of US\$2 million annually. The Company forecasts US\$15 million per annum in revenue starting in CY2017 from the growing PCM market.

Advanced efforts on development of licensing agreements for Alexiflam NF™

The Company is in discussions with chemical industry leaders to formalize a licensing contract to rapidly deploy this technology into the market. The FR cotton market represents US\$2.3 billion of fabric sales per year according to QYR Chemical and Material Research Center, May 2016.





OUTLOOK

Expansion in Coatings and Polymers Market

Further grow share in the expansive coatings and polymers market which includes electronics and building materials. The coatings and polymer industry has an estimated U.S. market size of US\$220 million annually.

Growth of Sales and Additional Product Applications

With Alexicool™ the Company is emerging as an industry leader with phase change material (PCM) technology to complement our solid flame retardant foundations. The Company's award-winning, environmentally friendly chemistries are being deployed by customers in the transportation, outdoor fabric, bedding and other industries. At the same time, new uses for Alexium's proprietary chemistries are constantly being developed.

Establishment of licensing agreements

Industry leaders are turning to Alexium for innovative technology solutions based on gaps in the market such as Alexiflam NF™ the Company's new FR treatment for cotton.

Favorable market trends

Global production in the chemical industry forecast to advance by 3.3% in 2016, and 3.7% in 2017, according to American Chemistry Council.

Positive regulatory and legislative trends

With the increasing number of states in the U.S. banning or phasing out legacy flame retardants and the passage of the Lautenberg Chemical Safety Act (LCSA), there is a movement toward Alexium's environmentally friendly chemistries.



FORWARD LOOKING STATEMENT

This release contains forward-looking statements that are based on current expectations, estimates and projections about Alexium's business, management's beliefs and assumptions made by management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Except where required by applicable law, the Company expressly disclaims a duty to provide updates to forward-looking statements after the date of this release to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them.



ABN: 91 064 820 408

ASX: AJX

Rule 4.3A

Appendix 4E

Preliminary final report

Name of entity:

Alexium International Group Limited

ABN or equivalent company
reference:

91 064 820 408

1. Reporting period

Reporting period:

Year ended 30 June 2016

Previous corresponding period:

Year ended 30 June 2015

2. Results for announcement to the market

\$A

2.1	Revenue from ordinary activities	up	732%	to	3,457,932
2.2	Loss from ordinary activities for the period after tax attributable to members	up	31%	to	(15,444,871)
2.3	Net loss for the period attributable to members	up	31%	to	(15,444,871)
2.4 Dividends		Amount per security		Franked amount per security	
Final dividend		Nil		N/A	
Interim dividend		Nil		N/A	
2.5 Record date for determining entitlements to the dividends		N/A			

2.6 Brief explanation of any of the figures reported above to enable the figures to be understood:

During the last reporting period, the Company experienced a dramatic increase in operating income. This increase is the result of continued efforts by the sales and product development teams to secure new business in the Flame Retardant (FR) and Phase Change Material (PCM) markets. Net losses also increased during the period largely due to an increase in expenses related to a few key areas of Alexium's growth. Selling expenses, manufacturing costs, and costs of raw materials all increased over last period. These expenses have only increased as a result of customer demand and not as a result of rising prices in the cost of producing or selling the Company's chemical solutions. Administrative, employee benefit, and other expenses have increased as a result of staff growth during the period. During the year Alexium added 1 chemist to the Research and Development (R&D) team to help with the development of new technology, 5 staff members to the Product Development staff to handle increase customer activity in the sales pipeline, 3 members to the Sales team to continue to capture new opportunities and explore new markets, 1 Communications staff to manage investor relations and corporate communications, and 2 administrative staff to support the Finance and Human Resource functions of the business. R&D expenses increased due to numerous development projects related to individual customer opportunities, and the development of Alexium's newest technologies, Alexiflam NF, TR, PB, and Alexicool.

3. Consolidated Statement of Comprehensive Income

	Current Period 2016 \$	Previous Period 2015 \$
Revenues from continuing operations	3,413,904	385,636
Cost of goods sold	(3,363,839)	(41,296)
Administrative expenses	(1,361,276)	(814,718)
Employee benefits expense	(3,672,088)	(1,555,098)
Depreciation and amortisation expenses	(204,473)	(134,465)
Research and development	(1,984,423)	(859,326)
Professional fees	(2,130,604)	(896,345)
Share based payments	(4,175,190)	(1,433,727)
Impairment	-	(225,908)
Gain / (loss) from embedded derivative	-	(4,674,520)
Interest and amortisation of cost of raising convertible notes	-	(399,263)
Other expenses	(2,010,910)	(1,144,348)
Operating loss	(15,488,899)	(11,793,378)
Interest income	44,028	29,812
Loss before income tax	(15,444,871)	(11,763,566)
Income tax (expense) / benefit	-	-
Loss after income tax expense from continuing operations	(15,444,871)	(11,763,566)
Attributable to:		
Members of the Parent Company	(15,444,871)	(11,763,566)
Items that may be reclassified to profit or loss		
Net exchange difference on translation of financial report of foreign controlled entity	459,291	1,009,782
Total other comprehensive income	459,291	1,009,782
Total comprehensive loss for the year	(14,985,580)	(10,753,784)
Basic loss per share (cents per share)	(6.97)	(5.78)
Diluted loss per share (cents per share)	(6.97)	(5.78)

4. Consolidated Statement of Financial Position

	Current Period 30 June 2016 \$	Previous Period 30 June 2015 \$
Current Assets		
Cash and cash equivalents	11,218,556	11,621,603
Trade and other receivables	191,762	119,277
Other current assets	1,747,538	170,430
Total Current Assets	13,157,856	11,911,310
Non-Current Assets		
Other financial assets	37,094	7,834
Property, plant and equipment	816,738	514,619
Intangible assets	148,454	184,847
Total Non-Current Assets	1,002,286	707,300
Total Assets	14,160,142	12,618,610
Current Liabilities		
Trade and other payables	2,788,092	638,484
Provisions	67,606	56,613
Other – deferred income	18,365	116,676
Total Current Liabilities	2,874,063	811,773
Non-Current Liabilities		
Trade and other payables	18,549	-
Total Non-Current Liabilities	18,549	-
Total Liabilities	2,892,612	811,773
Net Assets	11,267,530	11,806,837
Equity		
Issued capital	51,634,479	41,363,396
Reserves	9,051,563	4,417,082
Accumulated losses	(49,418,512)	(33,973,641)
Total Equity	11,267,530	11,806,837

5. Consolidated Statement of Cash Flows

	Current Period 30 June 2016 \$	Previous Period 30 June 2015 \$
Cash flows from operating activities		
Receipts from customers	3,318,758	400,834
Payments to suppliers and employees	(13,515,181)	(4,634,757)
Interest received	44,018	29,812
Goods & services tax (paid) / received from ATO	76,044	34,656
Net cash used in operating activities	(10,076,361)	(4,169,455)
Cash flows from investing activities		
Purchase of property, plant and equipment	(181,484)	(95,999)
Investments in intangibles	(28,276)	(22,071)
Due from other entities (deposit)	-	(1,090)
Net cash flows from investing activities	(209,760)	(119,160)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	6,000,000	10,100,000
Proceeds from exercise of options	3,906,113	1,822,000
Payment of share issue costs	(396,000)	(809,281)
Convertible Note interest paid	-	(99,318)
Net cash flows from financing activities	9,510,113	11,013,401
Net increase / (decrease) in cash held	(776,008)	6,724,786
Cash and cash equivalents at the beginning of the period	11,621,603	4,197,460
Effects of exchange rate changes on cash	372,961	699,357
Cash and cash equivalents at the end of the period	11,218,556	11,621,603

6. Consolidated Statement of Changes in Equity

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	41,363,396	4,417,082	(33,973,641)	11,806,837
Loss for the year	-	-	(15,444,871)	(15,444,871)
Foreign currency translation	-	459,291	-	459,291
Total comprehensive loss for the year	-	459,291	(15,444,871)	(14,985,580)
Transactions with owners in their capacity as owners:				
Issued capital	6,000,000	-	-	6,000,000
Capital raising costs	(369,000)	-	-	(369,000)
Options exercised	3,906,113	-	-	3,906,113
Share-based payment	454,690	4,175,190	-	4,629,880
Shares issued in lieu of salary	279,280	-	-	279,280
Balance at 30 June 2016	51,634,479	9,051,563	(49,418,512)	11,267,530
Balance at 1 July 2014 (as reported) correction of prior period errors				
	\$	\$	\$	\$
Balance as 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 as restated	24,805,339	449,482	(22,210,075)	3,044,746
Loss for the year	-	-	(11,763,566)	(11,763,566)
Foreign currency translation	-	1,009,782	-	1,009,782
Total comprehensive loss for the year	-	1,009,782	(11,763,566)	(10,753,784)
Transactions with owners in their capacity as owners:				
Issued capital	15,199,593	1,640,317	-	16,839,910
Capital raising costs	(809,281)	-	-	(809,281)
Options exercised	1,822,000	2,000	-	1,824,000
Share-based payment	-	1,315,501	-	1,315,501
Shares issued in lieu of salary	345,745	-	-	345,745
Balance at 30 June 2015	41,363,396	4,417,082	(33,973,641)	11,806,837

7. Dividends (in the case of a trust, distributions)

Date dividend is payable

N/A

+Record date to determine entitlements to the dividend

N/A

If it is a final dividend, has it been declared?

N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax (see note 4)	Amount per security of foreign source dividend
Final dividend: Current year	Nil	N/A	N/A
Interim dividend: Current year	Nil	N/A	N/A

Total dividend (distribution) per security (interim *plus* final)

	Current period	Previous Period
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

8. Dividend or distribution plans in operation

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

9. Consolidated retained profits/accumulated losses

	Current Period 2016 \$	Previous Period 2015 \$
Accumulated losses at the beginning of the financial period	(33,973,641)	(22,210,075)
Net loss attributable to members	(15,444,871)	(11,763,566)
Accumulated losses at end of financial period	(49,418,512)	(33,973,641)

10. NTA backing

	Current Period 2016	Previous Period 2015
Net tangible asset backing (deficiency) per ordinary share	3.72 cents	4.45 cents

11. Significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

Refer to the attached presentation slides.

12. Foreign entities set of accounting standards used in compiling the report (IAS)

IFRS

13. Commentary on the results for the period

13.1 Earnings per security (EPS)

	Current Period 2016	Previous Period 2015
Basic Loss per share (cents)	(6.97 cents)	(5.78 cents)

13.2 Returns to shareholders (Including distributions and buy backs)

	Current Period 2016 \$	Previous Period 2015 \$
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

N/A

13.3 Significant features of operating performance

Highlights of Alexium's operating performance during the period ended June 30, 2016, include sales in various industries including bedding, outdoor and home furnishings. The military sector was also a focus, and the Company continued to make significant progress with its strategy to replace incumbents of several major government programs such as Flame Resistant Army Combat Uniform (FR ACU) prime suppliers and Tier 2 suppliers. Alexium expanded its product lines and launched Alexiflam NF, an environmentally friendly, flame retardant for cotton and cotton blends, along with Alexicool, a cost-effective chemical finish for fabrics that absorb heat while providing a cool-to-the touch feel. The market for the Company's products was expanded with the addition of distribution partners in Australia, Europe, and South America. Alexium was added to the S&P/ASX 300 Index.

13.4 Segment Information

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. The Company has applied IFRS 8 Operating Segments which requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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.

13.5 Report on trends in performance

Alexium's typical sales pipeline has four distinct stages: 1) opportunity evaluation, 2) lab prototype, 3) customer scale up and implementation, and 4) ongoing revenue. During the first two stages, Alexium screens opportunities and produces customer samples which pass all required testing. Getting opportunities to the third stage is a crucial milestone, because once a customer commits to scale-up, that company is essentially committed to using Alexium's products and historically, over 90% of customers are retained after initial trials. Common challenges during the implementation stage are navigating customers' very busy production schedules and normal internal quality control testing demands to keep projects moving forward quickly and efficiently. Over the last fiscal year, Alexium sales pipeline has increased dramatically, highlighted by the following points:

- Our total number of clients in the sales pipeline increased from 22 to 165, a seven-fold increase in customers evaluating or implementing Alexium's chemistries.
- The number of clients in the crucial scale-up and implementation stage increased by over 500%.
- Of those clients in the pipeline at the beginning of calendar year 2016, Alexium has retained 100% of those clients. They are in the final stages of scale-up and/or sampling final products to their customers, and in many cases, our customers are using Alexium chemical solutions to capitalize on new opportunities and expanded their product lines.

13.6 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

During the reporting period ended June 30, 2016, the Company launched two proprietary chemistries: Alexiflam NF and Alexicool. Approved for sale to Europe, Alexiflam NF is an innovative chemistry that is superior to products currently on the market for treatment of cotton and cotton blends such as those commonly used in work-wear, and apparel. Applications for Alexicool include bedding and apparel, and the market for the technology is global.

Regulatory and legislative trends continue to be favorable for the Company. A number of states in the U.S. are considering or have adopted bans of toxic flame retardants for applications to children's products and residential upholstered furniture. Alexium's flame retardants are a safer alternative and are environmentally friendly.

The U.S. Congress has been considering legislation that contains report language encouraging the use of environmentally friendly flame retardants for military uniforms. Alexium has developed flame retardant solutions for use on nylon cotton blends, the fabric that is widely used for uniforms.

Any other information required to be disclosed to enable the reader to compare the information presented with equivalent information for previous periods. This must include information needed by an investor to make an informed assessment of the entity's activities and results.

N/A

14. Compliance statement

This report is based on accounts to which one of the following applies.
(Tick one)


- | | |
|--|--|
| <input type="checkbox"/> The accounts have been audited. | <input type="checkbox"/> The accounts have been subject to review. |
| <input checked="" type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

15. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

This report is based upon accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

16. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

This report is based upon accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

Sign here:  Date: 31 August 2016
(Chief Executive Officer)

Print name: Nicholas Clark