



**ALEXIUM INTERNATIONAL GROUP LIMITED**  
(formerly ETW Corporation Limited)

ABN 91 064 820 408

**FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2010**

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## **CONTENTS**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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Company Directory	3
Chairman's Report	4
Directors' Report	5
Corporate Governance Statement	17
Auditor's Independence Declaration	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25
Directors' Declaration	59
Independent Audit Report	60
Additional Information	62

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## **COMPANY DIRECTORY**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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<b>DIRECTORS:</b>	Mr Gavin Rezos Mr Stephen Ribich Mr Craig Smith-Gander Mr Stefan Susta
<b>COMPANY SECRETARY:</b>	Mrs Nadine Donovan
<b>REGISTERED AND PRINCIPAL OFFICE:</b>	Level 28, AMP Tower 140 St George's Terrace Perth WA 6000 Telephone: +61 8 6467 0100 Facsimile: +61 8 6467 0105
<b>AUDITORS:</b>	Stantons International Level 1, 1 Havelock Street West Perth WA 6005
<b>SHARE REGISTRY:</b>	Computershare Investor Services Pty Ltd Level 2 Reserve Bank Building 45 St Georges Terrace PERTH WA 6000  Telephone: 1300787575 Facsimile: (08) 9323 2033
<b>BANKERS:</b>	HSBC Bank Australia Limited 188 St George's Terrace Perth WA 6000  Macquarie Bank 235 St George's Terrace Perth WA 6000
<b>SOLICITORS:</b>	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
<b>ABN:</b>	91 064 820 408
<b>DOMICILE AND COUNTRY OF INCORPORATION:</b>	Australia
<b>LEGAL FORM OF ENTITY:</b>	Listed Public Company
<b>SECURITY EXCHANGE:</b>	Australian Securities Exchange (Perth) Limited ASX Code: AJX  Frankfurt Stock Exchange (ISIN: AU000000AJX6) (WKN A1CTT8) (E7T)

## CHAIRMAN'S REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

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30 September 2010

Dear Shareholders

I am pleased to present your company's annual report for 2010. This year your company became Alexium International Group Limited ("Alexium") and acquired the award winning Reactive Surface Treatment technology (RST) through the acquisition of Alexium Limited. I am also pleased to report the successful listing of your company on March 29, 2010 including a capital raising of over \$3.5million as well as ongoing success in the development and commercialization of RST as demonstrated by releases made to the Australian Securities Exchange.

Alexium has continued to build strong momentum and has achieved a number of important steps on your company's growth path, namely:

- March 2010 Successful Low Rate initial production test on Alexium treated textiles by US Air Force.
- April 2010 Alexium short listed for US Dept. of Defence next generation firefighter ensemble.
- May 2010 South Carolina Secretary of Commerce announces Alexium's new main operations facility in Greer, South Carolina, USA along with state and local tax rebates for up to 10 years, job training incentives and grant funding.
- June 2010 Commissioning of Alexium's first Reactive Surface Technology (RST) textile unit at Greer, SC, USA.
- July 2010 First sales & revenues received by Alexium from US Dept. of Defence.
- July 2010 Alexium shares are listed on the Frankfurt Stock Exchange and Xetra, a European electronic trading platform.
- Sept 2010 Hong Kong, China SAR, Patent granted for smart surface technology.
- Sept 2010 US Special Forces order for advanced protective textiles

Your Board thanks you for your continued support and we look forward to providing continued news updates on your company's growth and progress, particularly as we enter into commercialization of the RST technology and grow revenues.

Yours faithfully



Gavin Rezos  
Chairman

## **DIRECTORS' REPORT**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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Your directors submit their report together with the financial report of Alexium International Group Limited ("the Company") for the year ended 30 June 2010:

#### **DIRECTORS**

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

**Mr Gavin Rezos** B.Juris, LLB, BA, Executive Chairman  
Appointed 29 January 2010

Mr Rezos has extensive Australian and international investment banking experience and is a former Investment Banking Director of HSBC Group with regional roles during his HSBC career based in London, Sydney and Dubai. Mr Rezos has held Chief Executive Officer positions and executive directorships of companies in the technology sector in Australia, the United Kingdom, the US and Singapore. He is currently a non-executive Director of Iluka Resources Limited and DSF International Holdings Limited and Principal of Viaticus Capital Pty Ltd.

**Mr Stephen Ribich** B.Sc LLM, Chief Executive Officer  
Appointed 1 March 2010

Mr Ribich has over 10 years experience in developing new technologies that have originated from US military labs with an emphasis on materials processing utilising microwaves. Mr Ribich also has over 10 years experience in the mining and minerals exploration industry and has acted in various capacities, from exploration geologist to Managing Director, in both listed and unlisted public companies. Mr Ribich holds a Masters in International Trade and Investment Law (Deakin University). He was formerly with the US National Research Laboratories where he developed microwave technologies.

**Mr Stefan Susta** MBA, BSc BA, Executive Director  
Appointed 1 March 2010

Mr Susta has spent over 10 years working with the US Department of Defence on Technology Insertion, Technology Transfer and Commercialisation. He leads Alexium's US office business operations and Department of Defence business development efforts. Mr Susta received his BSc from Virginia Tech University in Chemical Engineering and Chemistry in 1996 and an MBA from Wright State University in 2001.

**Mr Craig Smith-Gander** BA (Military), M.Com, Non-executive Director  
Appointed 11 November 2009

Mr Smith-Gander is a graduate of the Royal Military College Duntroon and served as an officer in the Australian Regular Army. He worked in the Offshore Group at Clough Engineering Group and was appointed as the Group's first Risk Manager. He has extensive investment banking and corporate finance experience and is a former Director, Investment Banking at CIBC World Markets. Mr Smith-Gander is now the owner and Managing Director of Kwik Transport and Crane Hire Pty Ltd.

#### ***Directors who resigned during the period were:***

Mr Joshua Mann  
Appointed 31 March 2008 resigned 10 July 2009  
Mr Aaron Finlay  
Appointed 31 March 2008 resigned 29 January 2010  
Mrs Nadine Donovan  
Appointed 31 March 2008 resigned 1 March 2010

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### *Directorships of other listed companies during the last 3 years*

<i>Name</i>	<i>Company</i>	<i>Commenced</i>	<i>Ceased</i>
Mr Gavin Rezos	Iluka Resources Ltd	20 June 2006	-
	DSF International Holdings Limited	10 November 2008	-
Mr Stephen Ribich	None	-	-
Mr Craig Smith-Gander	None	-	-
Mr Stefan Susta	None	-	-

#### *Interests in the shares and options of the Company*

As at the date of this report, the interests of the directors in the shares and options of Alexium International Group Limited were:

<i>Name</i>	<i>Number of ordinary shares</i>	<i>Number of Performance shares</i>	<i>Number of options over ordinary shares</i>
Mr Gavin Rezos	11,461,147	2,500,000	4,900,000
Mr Stephen Ribich	18,344,143	27,915,000	5,000,000
Mr Craig Smith-Gander	114,286	-	1,000,000
Mr Stefan Susta	-	-	1,500,000

#### COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mrs Nadine Faye Donovan – B.Bus, CPA.

Mrs Donovan was appointed company secretary on 1 March 2010, following the resignation of Mr Aaron Finlay.

#### PRINCIPAL ACTIVITY

The principal activities of the entities in the group during the year were related to identifying and investigating new business opportunities.

On 26 February 2010 the company acquired Alexium Limited, being the intellectual property owner of its technology known as Reactive Surface Treatment (RST). Since this date the principal activities by the Group are developing and licensing its RST technology.

#### RESULTS AND REVIEW OF OPERATIONS

The Group's net loss attributable to members of the Company for the financial year ended 30 June 2010 was \$5,776,704 (2009: \$301,105). An increase in activities is the result of the acquisition of Alexium Limited effective 26 February 2010. The transaction resulted in a share-based payment expense of \$746,195 (2009: nil) and a deferred tax liability of \$3,465,442 arising from the business combination which has subsequently been impaired as required under accounting standards.

As at 30 June 2010 the cash position was \$3,303,043 (2009: \$628,164) and the Company had 107,871,688 ordinary shares on issue (2009: 313,826,457 pre-consolidation).

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as stated below.

Contributed equity decreased by \$48,025,064 (from \$65,222,622 to \$17,197,558) as the result of the transactions relating to the Alexium Limited acquisition which included the following:

- capital reduction against accumulated losses of \$64,618,625;
- pre-consolidation share issue to raise \$3 million;
- post-consolidation share issue to raise \$1.5 million;
- non-cash share issue valued at \$12.6 million; and
- share issue costs of \$371,479.

In addition the company undertook an unmarketable parcel share buy-back during the year. The company paid \$134,960 (including costs) to buy back 656,384 shares.

#### DIVIDENDS

The directors recommend that no amount be paid by way of dividend. No dividend has been paid or declared since the start of the financial year.

#### UNISSUED SHARES UNDER OPTION

##### *Unissued shares*

As at the date of this report there were 28,000,000 unissued ordinary shares under option (2009: 70,000,000\*). Details of these options are as follows:

<i>Date Options Granted</i>	<i>Expiry Date</i>	<i>Exercise price of shares</i>	<i>Number under option</i>
19 June 2008*	31 December 2012	\$0.10	7,000,000
26 February 2010	26 February 2012	\$0.30	16,000,000
26 February 2010	26 February 2012	\$0.40	2,500,000
26 February 2010	26 February 2014	\$0.50	2,500,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. No options were exercised or lapsed during the financial year or subsequent to year end.

*\* 2009: 70,000,000 unissued ordinary shares under option, exercisable at \$0.01, were consolidated on a 1:10 basis during the year.*

In addition to the above, there are 52,500,000 performance shares on issue (2009: Nil) at the date of this report (52,500,000 at the reporting date). The performance shares were granted on 26 February 2010 and are subject to ASX approved performance criteria. The terms of the performance shares are disclosed in note 14(c).

#### AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affects the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

#### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group intends to maximise exploitation of the RST technology across a range of applications in both the defence and commercial sectors through out licencing, joint ventures and product development and sales.

## **DIRECTORS' REPORT**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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#### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES (continued)**

In the Defence sector, the Group has responded to various requests to supply RST treated textiles to the US Department of Defence in support of current tenders. This work will continue with an expectation that some of the tenders will reach fruition in the coming year.

In the commercial sector, the Group will continue to support requests for test samples and chemical formulations to potential customer's requirements for specific applications or functions which may then be licenced to such customers. Currently, the Group is undertaking work in the textile, specialty textile, filters and paint sectors although there are a range of other applications of the RST technology that are yet to be addressed.

The Group will continue research and development into additional new products using the RST technology through the Cooperative Research and Development Agreement with the US Department of Defence as well as its own additional research and development work to support new commercial applications. This additional work will be conducted at the Groups' facility in Greer, South Carolina.

It is expected that this additional work will generate new patent applications and improvements of the RST technology over time thereby extending patent protection.

#### **ENVIRONMENTAL ISSUES**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. 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. For the first measurement period 1 July 2009 to 30 June 2010 the directors have asserted that there are no current reporting requirements, but may be required to do so in the future.

#### **REMUNERATION REPORT (AUDITED)**

This report outlines the remuneration arrangements in place for directors and executives of Alexium International Group Limited.

##### **Director and executive details**

The directors of Alexium International Group Limited during the year were:

- Mr Gavin Rezos (appointed 29 January 2010)
- Mr Stephen Ribich (appointed 1 March 2010)
- Mr Craig Smith-Gander (appointed 11 November 2009)
- Mr Stefan Susta (appointed 1 March 2010)
- Mr Joshua Mann (appointed 31 March 2008 resigned 10 July 2009)
- Mr Aaron Finlay (appointed 31 March 2008 resigned 29 January 2010)
- Mrs Nadine Donovan (appointed 31 March 2008 resigned 1 March 2010)

Other non-director Company executives, during the year were:

- Mr John Almond – Business Development Manager Europe (appointment effective from settlement of Alexium Limited acquisition being 26 February 2010)
- Dr Bob Brookins – Chief Technology Office (formally appointed 1 August 2010 however engaged as a consultant since Alexium Limited acquisition being 26 February 2010)



## **DIRECTORS' REPORT**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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#### **Remuneration Policy**

The Board recognise that Alexium International Group Limited ("Alexium" or "Company") and its subsidiaries ("Group") operates in a global environment. To prosper, the Company must be able to attract, motivate and retain internationally mobile executives.

The key principles that underpin the Group's remuneration policy are:

- That rewards reflect the competitive global market in which the Group operates.
- That demanding key performance indicators apply to delivering results across the Group and to a significant portion of the total reward.
- That rewards to executives be linked to the creation of value to shareholders.
- That executives be rewarded for both financial and non-financial performance.
- That remuneration arrangements ensure equity between executives and facilitate the deployment of human resources.

Alexium's reward structure combines base salary and short-term and long-term incentive plans. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

#### *Base Salary*

Base salaries are quantified by reference to the scope and nature of an individual's role, performance and experience. The remuneration committee actively seeks market data to benchmark salary levels. Particular consideration is given to competitive global remuneration levels.

Salary levels are reviewed on a minimum annual basis and increased according to employee performance and market levels.

#### *Incentive Plans*

An employee share option plan (ESOP) has been established where eligible persons are issued with options over the ordinary shares of Alexium. The object of the plan is to assist in the recruitment, reward, retention and motivation of employees of the Company.

Other incentive plans including partly paid shares, share purchase loans or other schemes may be utilised to provide longer-term incentives and rewards to executives and directors. Shareholder approval will be obtained in each case as required by law.

Executives are paid according to market and experience. Executive Officers are those directly accountable for the operational management and strategic direction of the Company.

#### *Non-Executives*

In view of the significant contribution of the non-executive directors and advancing the interest in the Company by international networking, Alexium considers that the non-executives may continue to be rewarded with options. It is not considered that this will significantly affect their independence in light of their international reputation. The non-executive remuneration limit is \$250,000, being the initial fee allowed under clause 13.8 of the constitution approved by shareholders on 27 May 2008. Non-executive directors do not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation, which is currently 9% of their fees.

## **DIRECTORS' REPORT**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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#### **Remuneration Policy (continued)**

##### *Terms of Executive Service Agreements*

The details of service agreements of the key management personnel and directors, as applicable, of Alexium International Group Limited and the Group are as follows:

##### **Mr Stephen Ribich, Chief Executive Officer**

- Term: the initial term of the Service Agreement is 12 months commencing on the settlement of the Acquisition;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of A\$250,000 per year (inclusive of director's fees). The Company may also pay Mr Ribich additional remuneration in the form of a performance-based bonus over and above the salary;
- Termination: Mr Ribich may terminate the Service Agreement without cause upon giving 9 months written notice to the Company or 3 months notice should the Company so elect. The Company may at its sole discretion terminate the employment without cause by giving 3 months written notice to Mr Ribich and making a payment of 9 months' salary after the expiry of the 3 months written notice period

##### **Mr Gavin Rezos, Executive Chairman**

- Term: the initial term of the Service Agreement is 12 months commencing on the settlement of the Acquisition;
- Salary: A salary of A\$60,000 per year (inclusive of director's fees). The Company may also pay Mr Rezos additional remuneration in the form of a performance-based bonus over and above the salary;
- Termination: Mr Rezos may terminate the Service Agreement without cause upon giving 9 months written notice to the Company or 3 months notice should the Company so elect. The Company may at its sole discretion terminate the employment without cause by giving 3 months written notice to Mr Rezos and making a payment of 9 months' salary after the expiry of the 3 months written notice period

##### **Mr Stefan Susta, Executive Director**

- Term: the initial term of the Service Agreement is 12 months commencing on the settlement of the Acquisition;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of US\$120,000 per year (inclusive of director's fees). The Company may also pay Mr Susta additional remuneration in the form of a performance-based bonus over and above the salary;
- Termination: Mr Susta may terminate the Service Agreement without cause upon giving 9 months written notice to the Company or 3 months notice should the Company so elect. The Company may at its sole discretion terminate the employment without cause by giving 3 months written notice to Mr Susta and making a payment of 9 months' salary after the expiry of the 3 months written notice period.

##### **Mr John Almond, Business Development Manager Europe**

- Term: the initial term of the Service Agreement is 12 months commencing on the settlement of the Acquisition;
- Place of Work: United Kingdom for the term of employment.
- Salary: A salary of A\$200,000 per year (inclusive of director's fees). The Company may also pay Mr Almond additional remuneration in the form of a performance-based bonus over and above the salary;

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### Mr John Almond, Business Development Manager Europe (continued)

- Termination: Mr Almond may terminate the Service Agreement without cause upon giving 9 months written notice to the Company or 3 months notice should the Company so elect. The Company may at its sole discretion terminate the employment without cause by giving 3 months written notice to Mr Almond and making a payment of 9 months' salary after the expiry of the 3 months written notice period.

#### Mr Bob Brookins, Chief Technology Officer

- Term: Commencing on 1 August 2010 as full time employee;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of US\$90,000 per year. Agreed to the issue of 500,000 options of the Company at an exercise price of 30 cents. The Company may also pay Mr Brookins additional remuneration in the form of a performance-based bonus over and above the salary;
- Termination: Mr Brookins may terminate the Service Agreement without cause upon giving 9 months written notice to the Company or 3 months notice should the Company so elect. The Company may at its sole discretion terminate the employment without cause by giving 3 months written notice to Mr Brookins and making a payment of 9 months' salary after the expiry of the 3 months written notice period.

The following table discloses the remuneration of the current directors and executives during the financial year from the Company:

#### 2010

	Short-term benefits			Post-employment Super-annuation	Share-based payments	Total	Proportion related to performance <sup>(4)</sup>	Remuneration consisting of options
	Salary and fees	Bonus	Other benefits					
	\$	\$	\$	\$	\$	\$	%	%
<b><u>Directors</u></b>								
Mr G Rezos <sup>(1)</sup>	91,916	-	-	2,293	629,163	723,372	82.94	4.03
Mr S Ribich <sup>(3)</sup>	82,876	-	3,509	-	34,213	120,598	28.37	28.37
Mr C Smith-Gander	15,972	-	-	1,437	12,961	30,370	-	42.68
Mr S Susta <sup>(3)</sup>	37,227	-	-	-	19,442	56,669	-	34.31
Mr J Mann	806	-	-	-	-	806	-	-
Mr A Finlay	6,800	-	-	-	-	6,800	-	-
Mrs N Donovan <sup>(2)</sup>	46,664	-	-	810	-	47,474	-	-
<b>Total Directors</b>	282,261	-	3,509	4,540	695,779	986,089		
<b><u>Executives</u></b>								
Mr J Almond <sup>(3)</sup>	60,707	-	-	-	34,213	94,920	36.04	36.04
Mrs N Donovan <sup>(2)</sup>	37,017	-	-	-	-	37,017	-	-
Dr B Brookins <sup>(3)</sup>	15,229	-	-	-	-	15,229	-	-
<b>Total Executives</b>	112,953	-	-	-	34,213	147,166		
<b>Total Directors and Executives</b>	395,214	-	3,509	4,540	729,992	1,133,255		

(1) Albion Capital Partners, a related party of G Rezos, was paid \$38,500 (2009: \$92,500) during the financial year in relation to providing management, administration and accounting personnel prior to the Alexium Limited acquisition.

(2) Remuneration for N Donovan includes company secretarial and financial accounting fees paid indirectly through Albion Capital Partners totalling \$38,664 up to the date of resignation as a director. Since resigning as a director N Donovan continued to receive company secretarial and financial accounting fees up to 30 June 2010 totalling \$37,017, paid to Blackwood Pty Ltd.

(3) Remuneration paid from date of acquisition of Alexium Limited being 26 February 2010.

(4) Calculation based on performance shares/options issued for services rendered under the successful completion of the Alexium Limited acquisition.

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

There were no other executives of the company which require disclosure.

#### 2009

	Short-term benefits			Post-employment Super-annuation	Share-based payments	Total	Proportion related to performance
	Salary and fees	Bonus	Other benefits				
	\$	\$	\$				
<i>Directors</i>							
Mr J Mann	17,500	-	-	-	-	17,500	-
Mr A Finlay <sup>(5)</sup>	12,700	-	-	-	-	12,700	-
Mrs N Donovan	15,809	-	-	540	-	16,349	-
<b>Total</b>	46,009	-	-	540	-	46,549	-

(5) Albion Capital Partners were paid \$92,500 during the financial year in relation to the Directors on the board at 30 June 2009.

#### Value of shares and options issued to directors and executives

Under the Alexium Limited acquisition agreement, the directors and executives of the Company were issued with the following share-based remuneration during the year:

- 2.5 million shares (2009: nil) with a value of \$500,000 (2009: nil);
- 2.5 million performance shares (2009: nil) with a value of \$100,000 (2009: nil); and
- 14.75 million options (2009: nil) with a value of \$146,194 (2009: nil).

#### Options and rights over equity instruments granted as compensation audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Name	Number of options granted during 2010	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2010
<i>Directors</i>						
Mr G Rezos	2,250,000	26/02/10	0.012961	0.30	26/02/12	2,250,000
Mr S Ribich	2,500,000	26/02/10	0.012961	0.30	26/02/12	2,500,000
	1,250,000	26/02/10	0.003928	0.40	26/02/12	-
	1,250,000	26/02/10	0.009519	0.50	26/02/14	-
Mr C Smith-Gander	1,000,000	26/02/10	0.012961	0.30	26/02/12	1,000,000
Mr S Susta	1,500,000	26/02/10	0.012961	0.30	26/02/12	1,500,000
<i>Executives</i>						
Mr J Almond	2,500,000	26/02/10	0.012961	0.30	26/02/12	2,500,000
	1,250,000	26/02/10	0.003928	0.40	26/02/12	-
	1,250,000	26/02/10	0.009519	0.50	26/02/14	-

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### Options and rights over equity instruments granted as compensation audited (continued)

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on their expiry date. The options are exercisable two years from grant date for the 30 cent and 40 cent options and 4 years for the 50 cent options. The exercise of 2.5m of the 40 cent options and the 2.5m 50 cent options are conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives details in note 14.

#### Equity instrument disclosures relating to key management personnel

(i) *Option holdings*

The number of options over ordinary shares in the Company held during the financial year by each director and executive of Alexium International Group Limited, including their personally related parties, are set out below.

#### 2010

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>						
Mr G Rezos *	2,600,000	2,250,000	-	50,000	4,900,000	4,900,000
Mr S Ribich **	-	5,000,000	-	-	5,000,000	2,500,000
Mr C Smith-Gander *	-	1,000,000	-	-	1,000,000	1,000,000
Mr S Susta **	-	1,500,000	-	-	1,500,000	1,500,000
Mr J Mann #+	1,175,000	-	-	-	1,175,000	1,175,000
Mr A Finlay #	-	-	-	-	-	-
Mrs N Donovan #	-	-	-	-	-	-
<b><i>Total Directors</i></b>	<b>3,775,000</b>	<b>9,750,000</b>	<b>-</b>	<b>50,000</b>	<b>13,575,000</b>	<b>11,075,000</b>
<b><i>Executives</i></b>						
Mr J Almond**	-	5,000,000	-	-	5,000,000	2,500,000
Dr B Brookins	-	-	-	-	-	-
<b><i>Total Executives</i></b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>2,500,000</b>
<b><i>Total Directors and Executives</i></b>	<b>3,775,000</b>	<b>14,750,000</b>	<b>-</b>	<b>50,000</b>	<b>18,575,000</b>	<b>13,575,000</b>

\* Balance at date of appointment

\*\* Balance at date of Alexium Limited acquisition

# Balance at date of resignation

+ Post consolidation (1:10)

#### Remuneration Policy (continued)

#### 2009

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>						
Mr J Mann *	11,750,000	-	-	-	11,750,000	11,750,000
Mr A Finlay *	-	-	-	-	-	-
Mrs N Donovan *	-	-	-	-	-	-
<b><i>Total</i></b>	<b>11,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,750,000</b>	<b>11,750,000</b>

\* Balance at date of appointment

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### Equity instrument disclosures relating to key management personnel (continued)

(ii) *Share holdings*

The number of shares in the Company held during the financial year by each director and executive of Alexium International Group Limited, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

#### 2010

Name	Balance at start of year ORDINARY SHARES	Balance at start of year PERFORMANCE SHARES	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Other changes during year PERFORMANCE SHARES	Balance at end of year ORDINARY SHARES	Balance at end of year PERFORMANCE SHARES
	Number	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>							
Mr G Rezos *	5,496,695	-	-	5,964,452	2,500,000	11,461,147	2,500,000
Mr S Ribich *	18,344,143	27,915,000	-	-	-	18,344,143	27,915,000
Mr C Smith-Gander *	-	-	-	114,286	-	114,286	-
Mr S Susta *	-	-	-	-	-	-	-
Mr J Mann * #+	1,600,000	-	-	-	-	1,600,000	-
Mr A Finlay * #+	220,000	-	-	-	-	220,000	-
Mr N Donovan * #+	200,000	-	-	-	-	200,000	-
<b><i>Total Directors</i></b>	<b>25,860,838</b>	<b>27,915,000</b>	<b>-</b>	<b>6,078,738</b>	<b>2,500,000</b>	<b>31,939,576</b>	<b>30,415,000</b>
<b><i>Executives</i></b>							
Mr J Almond *	14,513,000	22,085,000	-	-	-	14,513,000	22,085,000
Dr B Brookins	-	-	-	-	-	-	-
<b><i>Total Executives</i></b>	<b>14,513,000</b>	<b>22,085,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,513,000</b>	<b>22,085,000</b>
<b><i>Total Directors and Executives</i></b>	<b>40,373,838</b>	<b>50,000,000</b>	<b>-</b>	<b>6,078,738</b>	<b>2,500,000</b>	<b>46,452,576</b>	<b>52,500,000</b>

\* Balance at date of appointment

# Balance at date of resignation

+ Post consolidation (1:10)

#### 2009

Name	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at end of year
	Number	Number	Number	Number
<b><i>Directors</i></b>				
Mr J Mann * #	16,000,000	-	-	16,000,000
Mr A Finlay *	2,200,000	-	-	2,200,000
Mr N Donovan *	2,000,000	-	-	2,000,000
<b><i>Total</i></b>	<b>20,200,000</b>	<b>-</b>	<b>-</b>	<b>20,200,000</b>

\* Balance at date of appointment # Balance at date of resignation

(iii) *Performance Shares*

On 26 February 2010 a total of 52,500,000 performance shares were granted (26,250,000 Class A Performance Shares and 26,250,000 Class B Performance Shares) and are subject to ASX approved performance criteria.

The terms and conditions attached to each class of performance shares are detailed in note 14.

## DIRECTORS' REPORT

### ALEXIUM INTERNATIONAL GROUP LIMITED

#### DIRECTORS' MEETINGS

The number of directors' meetings held and number of meetings attended by each of the directors of the Company during the financial year were as follows:

The following tables set information in relation to Board meetings held during the financial year.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Gavin Rezos	2	2	10	12
Stephen Ribich	2	2	3	5
Craig Smith-Gander	2	2	12	14
Stefan Susta	2	2	3	5
Aaron Finlay	1	1	4	5
Nadine Donovan	1	1	11	12
Joshua Mann	0	0	1	1

#### Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circular Resolutions
2 December 2009	7 July 2009
6 May 2010	26 August 2009
14 June 2010	27 January 2010
	28 January 2010
	14 February 2010 x 2
	16 February 2010 x 2
	19 February 2010
	26 February 2010 x 2
	26 March 2010
	22 April 2010
	24 June 2010

#### INSURANCE OF OFFICERS

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 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.

## **DIRECTORS' REPORT**

### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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#### **ROUNDING OFF OF AMOUNTS**

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

#### **NON-AUDIT SERVICES**

During the year no non-audit services were provided by the Company's previous auditor, PKF. Newly appointed auditors, Stantons International, provided non-audit services relating to the Alexium Limited Acquisition during the year totalling \$33,043.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 20 of the financial report.

Dated this 30<sup>th</sup> day of September 2010.

Signed in accordance with a resolution of the directors.



**Gavin Rezos**  
Executive Chairman

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## **CORPORATE GOVERNANCE STATEMENT**

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### **ALEXIUM INTERNATIONAL GROUP LIMITED**

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

Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed the ASX Principles, and if any of the recommendations have not been followed then the Company must explain why not.

The Company is considered a 'micro cap' listing, and accordingly some of the principles and recommendations are unable to be achieved in a cost effective or practical manner, having regard for the resources available. These issues are still considered important in our corporate governance system, and alternate but less formal policies exist to ensure integrity in these areas. The Council recognises that the same efficiencies experienced by larger entities may not be apparent for smaller companies by adopting certain principles or recommendations.

Notwithstanding this, the board has made every effort to address each principle and effect suitable policies or strategies where possible. Corporate governance information, policies and charters are publicly available via the company's web site.

Detailed below are comments made in relation to the company's policies for each ASX Corporate Governance Council principle.

#### **Principle 1 – Lay solid foundations for management and oversight**

Alexium International Group Limited supports a clear segregation of duties between management and the board of directors.

The board has a formal charter detailing its functions, structure and responsibilities, which is available on the company's website. The board delegates responsibility for the day-to-day operations and administration of the Company to the Managing Director.

The board monitors the performance of senior management, including measuring actual performance against planned performance.

#### **Principle 2 – Structure the board to add value**

The objective of this principle is to have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. As a smaller company, our aim is to achieve an appropriate balance between the level of independence, and maintaining sufficient experience and competence for the board to fulfil its objectives.

The board currently consists of the following directors, whose experience and expertise are detailed in the directors' report:

Mr G Rezos Executive Chairman	Not independent due to being a substantial shareholder and employed in an executive capacity.
Mr Stephen Ribich Managing Director	Not independent as a member and management involved on a day to day basis.
Mr Stefan Susta Executive Director	Not independent as a member and management involved on a day to day basis.
Mr Craig Smith-Gander Non-Executive Director	Meets all criteria of independent director.

## **CORPORATE GOVERNANCE STATEMENT**

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### **ALEXIUM INTERNATIONAL GROUP LIMITED**

#### **Principle 2 – Structure the board to add value (continued)**

Currently only one Board member is considered to be independent.

Due to Mr Rezos not meeting the independent status, the Company is unable to meet recommendation 2.2 of the ASX Corporate Governance Council that states the chair should be an independent director.

The board does not believe that restructuring the board to achieve a majority of independent directors or for the chair to be independent would be in the best interests of shareholders, given the size and resources of the company at this time.

The board has not established a nomination committee as yet given its size. The board as a whole will serve as a nomination committee in the Company's formative period.

#### **Principle 3 – Promote ethical and responsible decision-making**

The board has established a code of conduct to promote a continued ethical and responsible decision making process for directors and key executives. The code of conduct is publicly available via the company's website.

The Company has also developed and communicated a formal policy to officers and employees for trading in the company's shares, to complement the existing statutory restrictions such as the Corporations Act 'insider trading' provisions.

Directors must advise the Company of any dealings in the Company's shares, and the Company is required to advise the ASX of these transactions within 5 business days.

#### **Principle 4 – Safeguard integrity in financial reporting**

The Company does not have an audit committee, as it is considered that efficiencies would be outweighed by the costs of its formation, given the size and resources of the company. However, the board reviews all external audit reports to ensure appropriate action is taken by management regarding any areas which are identified as a weakness in internal control, reviews the existing external audit arrangements, and oversees the financial reporting process.

The Board of Directors of the Company is directly responsible for the following primary functions of an audit committee:

- (a) ensuring appropriate Group accounting policies and procedures are defined, adopted and maintained;
- (b) ensuring that Group operating and management reporting procedures, and the system of internal control, are of a sufficiently high standard to provide timely, accurate and relevant information as a sound basis for management of the Group's business;
- (c) reviewing the Group Financial Statements and approval thereof;
- (d) reviewing the scope of work including approval of strategic and annual audit plans and effectiveness of both the external and internal audit functions across the Group;
- (e) monitoring the proper operation of and issues raised;
- (f) ensuring that appropriate processes are in place to ensure compliance with all legal requirements affecting the Group;
- (g) ensuring that all internal and industry codes of conduct and standards of corporate behaviour are being complied with;
- (h) appointment of a person(s) responsible for Internal Audit functions as specified from time to time;
- (i) responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), monitoring of effectiveness, and independence of the external auditors.

## **CORPORATE GOVERNANCE STATEMENT**

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### **ALEXIUM INTERNATIONAL GROUP LIMITED**

- (j) actioning any other business processes or functions which may be referred to it by the Board of Directors.

The board is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review. External audit engagement partners are rotated every 5 years.

#### **Principle 5 – Make timely and balanced disclosure**

Alexium International Group Limited is committed to ASX continuous disclosure provisions, and ensures that all relevant information concerning the Company is made available to investors on an equal and timely basis. Continuous disclosure is included as a recurring agenda item at each board meeting held.

The Company has incorporated a policy on continuous disclosure into its code of conduct document, which has been promoted to all officers and employees, and is available publicly on the Company's website.

#### **Principle 6 – Respect the rights of shareholders**

The Company promotes active and informed shareholding, and welcomes questions from shareholders at any time. At the Company's annual AGM, shareholders are given every opportunity to participate at question time, and may submit written questions to the board or auditors prior to the meeting.

The external auditor is required to attend the AGM and is available to answer any shareholder questions regarding the conduct of the audit, and the preparation and content of the auditor's report.

Significant company announcements are posted immediately on the company's website.

In addition, the board has created a specific section on the Company's website for corporate governance information.

#### **Principle 7 – Recognise and manage risk**

The board is responsible for overseeing and assessing the effectiveness of the risk management policy.

The Chief Executive Officer and/or Managing Director is responsible for implementing the policy and regularly reporting to the board.

In addition, risk management is a recurring agenda item at board meetings to ensure risk is considered and managed at all times.

The Company has prepared a formal risk management document to describe policy to profile, manage, control and assess risk.

#### **Principle 8 – Remunerate fairly and responsibly**

The board has established a Remuneration Policy as part of its Corporate Governance Policy. The board has decided at this time not to establish a separate remuneration committee due to the current size of the entity and its operations. Therefore the board will be responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The board will in due course establish a remuneration committee, comprising two directors and operating under a board approved terms of reference.

The Company has prepared a formal charter which sets out the role and responsibilities of the board and has established a remuneration policy. Both the charter and remuneration policy are publicly available via the Company's website.

Non-executive directors are remunerated by way of fees, which is clearly distinguished from the remuneration for executive directors and senior executive. The Company does not have any schemes for retirement benefits, other than statutory superannuation.

# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

30 September 2010

Board of Directors  
Alexium International Group Limited  
Level 28, AMP Tower,  
140 St George's Terrace,  
PERTH WA 6000

Dear Directors

**RE: ALEXIUM INTERNATIONAL GROUP LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Alexium International Group Limited.

As Audit Director for the audit of the financial statements of Alexium International Group Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely  
**STANTONS INTERNATIONAL**  
(Authorised Audit Company)



**John Van Dieren**  
Director

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**ALEXIUM INTERNATIONAL GROUP LIMITED**

		<b>Consolidated Group</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
Revenue from continuing operations	3	50,923	4,545
Cost of goods sold		(173,822)	-
Employee benefits expense		(433,862)	(151,949)
Depreciation and amortisation		(239,652)	-
Share-based payments	15	(746,195)	-
Impairment	11	(3,465,442)	-
Other expenses		(810,803)	(179,183)
Net trading profit/(loss)		<u>(5,818,853)</u>	<u>(326,587)</u>
Finance income	3	<u>42,149</u>	<u>25,482</u>
Loss before income tax		(5,776,704)	(301,105)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss for the year		(5,776,704)	(301,105)
Other comprehensive income, net of income tax			
Exchange differences on translation of foreign operations		<u>(33,000)</u>	<u>-</u>
Total comprehensive loss for the year		<u>(5,809,704)</u>	<u>(301,105)</u>
Loss for the year attributable to members of the group		<u>(5,776,704)</u>	<u>(301,105)</u>
Total comprehensive loss for the year attributable to members of the group		<u>(5,809,704)</u>	<u>(301,105)</u>
Basic profit/(loss) per share (cents)	7	<u>(9.92)</u>	<u>(0.95)</u>
Diluted loss per share (cents)	7	<u>(9.92)</u>	<u>(0.95)</u>

This statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2010

**ALEXIUM INTERNATIONAL GROUP LIMITED**

		Consolidated Group	
	Note	2010	2009
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	18(a)	3,303,043	628,164
Trade and other receivables	8	65,443	6,540
Other assets	9	53,641	329
<b>Total Current Assets</b>		<u>3,422,127</u>	<u>635,033</u>
<b>Non-Current Assets</b>			
Other financial assets		4,786	-
Property, plant and equipment	10	140,322	-
Intangible assets	11	11,782,498	-
<b>Total Non-Current Assets</b>		<u>11,927,606</u>	<u>-</u>
<b>Total Assets</b>		<u>15,349,733</u>	<u>635,033</u>
<b>Current Liabilities</b>			
Trade and other payables	12	240,618	31,900
Provisions		4,132	-
Other - deferred income	13	13,850	-
<b>Total Current Liabilities</b>		<u>258,600</u>	<u>31,900</u>
<b>Non-Current Liabilities</b>			
Deferred tax liability	6	3,465,442	-
Other - deferred income	13	27,700	-
<b>Total Current Liabilities</b>		<u>3,493,142</u>	<u>-</u>
<b>Total Liabilities</b>		<u>3,751,742</u>	<u>31,900</u>
<b>Net Assets</b>		<u>11,597,991</u>	<u>603,133</u>
<b>Equity</b>			
Contributed equity	14	17,197,558	65,222,622
Reserves	16	178,701	700
Accumulated losses	17	(5,778,268)	(64,620,189)
<b>Total Equity</b>		<u>11,597,991</u>	<u>603,133</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**ALEXIUM INTERNATIONAL GROUP LIMITED**

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	65,222,622	700	(64,620,189)	603,133
Loss for the year	-	-	(5,776,704)	(5,776,704)
Foreign currency translation	-	(33,000)	-	(33,000)
Total comprehensive loss for the year	-	(33,000)	(5,776,704)	(5,809,704)
Transactions with owners in their capacity as owners:				
<i>Pre-consolidation</i>				
Capital reduction	(64,618,625)	-	64,618,625	-
Shares issued	3,000,000	-	-	3,000,000
<i>Post-Consolidation</i>				
Shares issued	14,100,000	-	-	14,100,000
Share issue costs	(371,479)	-	-	(371,479)
Share buy back, net of costs	(134,960)	-	-	(134,960)
Share-based payment	-	211,001	-	211,001
<b>Balance at 30 June 2010</b>	17,197,558	178,701	(5,778,268)	11,597,991

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	65,222,622	700	(64,319,084)	904,238
Loss for the year	-	-	(301,105)	(301,105)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(301,105)	(301,105)
Transactions with owners in their capacity as owners	-	-	-	-
<b>Balance at 30 June 2009</b>	65,222,622	700	(64,620,189)	603,133

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**ALEXIUM INTERNATIONAL GROUP LIMITED**

		Consolidated Group	
		2010	2009
		\$	\$
	Notes		
<b>Cash flow from operating activities</b>			
Receipts from customers		-	4,545
Payments to suppliers and employees		(1,375,174)	(431,305)
Interest received		42,149	25,481
Goods & services tax (paid)/received from ATO		64,904	-
		<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	18(b)	<b>(1,268,121)</b>	<b>(401,279)</b>
<b>Cash flows from investing activities</b>			
Increase in intangibles		(37,992)	-
Purchase of property, plant and equipment		(17,837)	-
Due from other entities (deposit)		(995)	-
Loan to related entities		(363,445)	-
Cash acquired on acquisition of Alexium		370,917	-
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		<b>(49,352)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		4,500,000	-
Payment of share issue costs		(398,123)	(80,634)
Payment for unmarketable parcel share buy-back		(108,315)	-
		<hr/>	<hr/>
<b>Net cash flows from/(used in) financing activities</b>		<b>3,993,562</b>	<b>(80,634)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,676,089</b>	<b>(481,913)</b>
Cash and cash equivalents at beginning of year		628,164	1,110,077
Effect of exchange rate changes on cash and cash equivalents		(1,210)	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	18(a)	<b>3,303,043</b>	<b>628,164</b>

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**1. CORPORATE INFORMATION**

Alexium International Group Limited ("the Company") is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange and Frankfurt Stock Exchange. These financial statements include the consolidated financial statements and notes of Alexium International Group Limited and controlled entities ('Group') and are presented in Australian dollars.

The financial report was authorised for issue by the directors on 30 September 2010 in accordance with a resolution of the directors.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

These financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial statements have been prepared on an accruals basis and is based on historical costs modified, where applicable. The presentation and functional currency is Australian Dollars.

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, however, required financial information for the Company as an individual entity is included in note 24.

**(b) Changes in accounting policy**

From 1 July 2009 the Group has adopted the following standards and interpretations, mandatory for annual reporting periods beginning 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- (i) AASB 2 Revised *Vesting Conditions and Cancellations*;
- (ii) AASB 8 *Operating Segments*;
- (iii) AASB101 Revised *Presentation of Financial Statements*;
- (iv) AASB 132 Revised *Puttable Financial Instruments and Obligations Arising on Liquidation*;
- (v) AASB 123 *Revised Borrowing Costs*

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

been identified by the company as the Managing Director and other members of the Board of Directors.

The following Amending Standards have also been adopted from 1 July 2009:

- (i) AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8;*
- (ii) AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123;*
- (iii) AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101;*
- (iv) AASB 2008-1 *Amendments to Australian Accounting Standards Share-based Payments; Vesting Conditions and Cancellations;*
- (v) AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidity;*
- (vi) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- (vii) AASB 2008-6 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- (viii) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, jointly Controlled Entity or Associate;*
- (ix) Interpretation 11 *IFRS 2 – Group and treasury Share Transactions;*
- (x) Interpretation 12 *Service Concession Arrangements;*
- (xi) Interpretation 13 *Customer Loyalty Programs;*
- (xii) Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction and*
- (xiii) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation.*

*Accounting Standards Issued Not yet Effective*

The following new / amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 30 June 2010. They have not been adopted in preparing the financial statements for the year ended 30 June 2010 and are expected to impact the Group in the period of initial application. In all cases the Group intends to apply these standards from application date as indicated in the table below.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of the Standard	Impact on Initial Application
AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process (issued May 2009)</i>	AASB 5: Non-current Assets Held for Sale and Discontinued Operations	<p>Not urgent but necessary changes to AIFRSs as a result of the IASB's 2008 annual improvement process.</p> <p>Clarifies that disclosures required for non-current assets (or disposal groups) classified as held for sale or discontinued operations are limited to those required by AASB 5 unless:</p> <p>* Disclosures are specifically required for these assets by other AASBs; or</p> <p>* Assets and liabilities of a disposal group are not within the measurement requirements of AASB 5 and disclosures are required by other AASBs.</p>	<p>1 January 2010</p> <p>1 January 2010</p>	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**ALEXIUM INTERNATIONAL GROUP LIMITED**

**(b) Changes in accounting policy (continued)**

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of the Standard	Impact on Initial Application
	AASB 101: Presentation of Financial Statements	Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.	1 January 2010	Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.
	AASB 107: Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1 January 2010	
AASB 2009-8 <i>Amendments to Australian Accounting Standards – Group Cash – settled Share-based payment transactions (issued July 2009)</i>		Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	1 January 2010	There will be no impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 9 <i>Financial Instruments (issued December 2009)</i>		Amends the requirements for classification and measurement of financial assets	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments (issued December 2009)</i>		Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 January 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.

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**(b) Changes in accounting policy (continued)**

<i>AASB Amendment</i>	Standards Affected	Outline of Amendment	Application Date of the Standard	Impact on Initial Application
<i>Improvements to IFRS</i>		Not urgent but necessary to IFRSs as a result of IASB's 2009 annual improvements process.	1 July 2010	There will be no impact on initial adoption as these requirements are only required to be applied prospectively.
	IFRS 7: Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
	IAS 1: Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity <u>or</u> in the notes to the financial statements.	1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.
<i>AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]</i>		This is likely to have limited application to entities that issue rights or options to a fixed number of their shares for a fixed amount in a different currency to the functional currency. The amendment clarifies that such transactions must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency.

**(c) Basis of consolidation**

A controlled entity is any entity Alexium International Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 21 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits have been eliminated on consolidation. Unrealised losses are eliminated unless costs cannot be recovered.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

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**(c) Basis of consolidation (continued)**

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Alexium International Group Limited has control.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

**(d) Foreign currency translation**

Both the functional and presentation currency of Alexium International Group Limited and its Australian subsidiaries is Australian dollars (\$AUD). The functional currencies of its overseas subsidiaries are the Pound Sterling and the United States 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 balance sheet date.

All differences in the consolidated financial report are taken to the statement of comprehensive income. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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.

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

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

**(e) Property, plant and equipment**

**(i) Owned assets**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy g).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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**(ii) Leased assets**

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. These finance leases are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are accounted for as described in accounting policy (l).

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity are classified as operating leases (note 10). Payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

**(iii) Subsequent costs**

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

**(iv) Depreciation**

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

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

Plant and equipment	over 3 to 50 years
Leased plant and equipment	over 3 to 50 years

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

**(f) Intangible assets**

**(i) Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

**(ii) Acquired both separately and from a business combination**

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

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

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against the income statement in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level (see accounting policy g). Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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**(iii) Other intangible assets**

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy g).

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

**(iv) 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 expenditure is expensed as incurred.

**(v) Amortisation**

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

Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each balance sheet date. Capitalised development costs and patents and trademarks with a finite life are amortised as follows:

- Patents and Trademarks: Lesser of 17 years or average remaining life of patents and trademarks
- Capitalised development costs: Over future periods on a basis related to expected future benefits

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

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

**(g) Impairment of assets**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**(h) Trade and other receivables**

Trade receivables, which generally have 30-120 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

**(i) Determination and presentation of operating segments**

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

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

**(j) Cash and cash equivalents**

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

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

**(k) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

**(l) Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.



**(m) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments which are classified as held for trading and available-for-sale are measured at fair value. Gains and losses on investments held for trading are recognised in the statement of comprehensive income.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices as the close of business on the statement of financial position date.

**(n) Trade and other payables**

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

**(o) Provisions**

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(p) 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.

**(q) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**(r) Income tax and other taxes**

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

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

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

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

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**(r) Income tax and other taxes (continued)**

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 are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(s) Earnings per share**

Basic earnings per share 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.

**(t) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(t) **Business combinations (continued)**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**3. REVENUE**

	Consolidated Group	
	2010	2009
	\$	\$
Sales	50,923	-
Interest received - other persons	42,149	25,482
Other income	-	4,545
	93,072	30,027

**4. OTHER EXPENSES**

Minimum lease payments relating to operating leases	14,049	-
Foreign exchange loss	5,388	-

**5. AUDITORS' REMUNERATION**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated Group	
	2010	2009
	\$	\$
(a) PKF Chartered Accountants and Business Advisers		
- audit and review of financial reports	12,564	34,665
(b) Stantons International		
- audit and review of financial reports	20,000	-
- other accounting services relating to the Alexium Limited Acquisition	33,043	-
	65,607	34,665

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

6. TAXATION

**(a) Income tax recognised in profit and loss**

Prima facie tax on operating loss before income tax at 30%	(1,733,011)	(90,332)
Tax effect of permanent and temporary differences	1,345,802	1,066
Tax loss not brought to account	387,209	89,266
Income tax attributable to operating loss	-	-

**(b) Deferred tax liabilities**

Deferred tax liabilities at 30 June brought to account:

Intangible assets	3,465,442	-
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**(c) Deferred tax assets**

Deferred tax assets at 30 June not brought to account:

Employee benefits	1,240	-
Other	6,589	-
Income tax losses	387,209	89,266
	395,038	89,266

Deferred tax assets arising from unconfirmed tax losses and capital losses not brought to account at balance date as realisation of the benefit is not probable.

No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

The Group has estimated unrecouped income tax losses of \$1,290,695 (2009: \$297,552) 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/group in future periods.

7. 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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

7. EARNINGS PER SHARE (continue)

	Consolidated 2010 Number	Consolidated 2009 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	58,215,456	31,382,646*
	\$	\$
Basic loss	(5,776,704)	(301,105)

\* For comparability purposes the prior year weighted average number of shares has been adjusted to assume the consolidation of shares on a 1:10 basis was effective from the prior year.

This 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*

	Consolidated 2010 Number of securities	Consolidated 2009 Number of potential ordinary shares
Options over ordinary shares	28,000,000	70,000,000*
Performance Shares	52,500,000	-
	80,500,000	70,000,000

\* 2009: 70,000,000 unissued ordinary shares under option, exercisable at \$0.01, were consolidated on a 1:10 basis during the year

8. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2010	2009
	\$	\$
<b>Current</b>		
Trade debtors	52,693	-
Other receivables	12,750	6,540
	65,443	6,540

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

9. OTHER ASSETS

<b>Current</b>		
Prepayments	53,641	329

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

10. PROPERTY, PLANT & EQUIPMENT

	Consolidated Group	
	2010	2009
	\$	\$
<b>Furniture and Equipment</b>		
Cost	113,444	-
Accumulated depreciation	(14,671)	-
Net book value	<u>98,773</u>	-
<b>Leased assets</b>		
Cost	41,549	-
Accumulated depreciation	-	-
Net book value	<u>41,549</u>	-
Total property, plant and equipment	<u>140,322</u>	-

**Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Consolidated Group	
	2010	2009
	\$	\$
<b>Furniture &amp; equipment</b>		
Balance at the beginning of year	-	-
Additions at cost	113,444	-
Depreciation & amortisation expense	(14,671)	-
	<u>98,773</u>	-
<b>Leased assets</b>		
Balance at the beginning of year	-	-
Additions at cost	41,549	-
Depreciation & amortisation expense	-	-
	<u>41,549</u>	-

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**11. INTANGIBLE ASSETS**

	Consolidated Group	
	2010	2009
	\$	\$
<b>Patents and intellectual property</b>		
Cost	12,018,148	-
Accumulated amortisation	(235,650)	-
Net carrying value	<u>11,782,498</u>	<u>-</u>

**Movements in carrying amounts**

Movement in the carrying amounts of intangible assets between the beginning and the end of the current financial year.

	Consolidated Group	
	2010	2009
	\$	\$
Balance at the beginning of year	-	-
Additions at cost <sup>(1)</sup>	12,018,148	-
Deferred tax liability arising from business combination	3,465,442	-
Impairment	(3,465,442)	-
Amortisation expense	(235,650)	-
	<u>11,782,498</u>	<u>-</u>

(1) Being the estimated fair values of patents, trademarks and intellectual property arising on the acquisition of Alexium Limited.

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.

The ultimate recoupment of costs carried forward for intellectual property is dependent on the successful development and commercial exploitation of the Group's technology. In accordance with Note 1 on significant accounting policies, amortisation will be calculated on a straight-line basis over the average useful life of the patents being 17 years.

**12. TRADE AND OTHER PAYABLES**

	Consolidated Group	
	2010	2009
	\$	\$
<b>Current</b>		
Trade creditors	210,426	31,390
Other creditors	30,192	510
	<u>240,618</u>	<u>31,900</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**12. TRADE AND OTHER PAYABLES (continued)**

Trade and other creditor amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days or recognition.

**13. OTHER LIABILITIES – DEFERRED INCOME**

	Consolidated Group	
	2010	2009
	\$	\$
Current - deferred income	13,850	-
Non-current - deferred income	27,700	-

The deferred income is in respect of a grant from South Carolina Research Authority (refer note 25(a)(ii)).

**14. CONTRIBUTED EQUITY**

**(a) Issued capital**

	Consolidated Group	
	2010	2009
	\$	\$
107,871,688 (2009: 313,826,457) Ordinary shares fully paid	15,097,558	65,222,622
26,250,000 (2009: Nil) Performance Shares A	1,312,500	-
26,250,000 (2009: Nil) Performance Shares B	787,500	-
Total issued capital	17,197,558	65,222,622

**(b) Movements in share capital**

	2010	2010	2009	2009
	Number	\$	Number	\$
Balance at beginning of year	313,826,457	65,222,622	313,826,457	65,222,622
Reduction in capital		(64,618,625)	-	-
Shares issued	171,428,571	3,000,000	-	-
<i>Pre-consolidation balance</i>	485,255,028	3,603,997	313,826,457	65,222,622
1:10 Consolidation	48,528,072	3,603,997		
Shares issued, net of costs	52,500,000	10,128,521	-	-
Shares issued – Prospectus	7,500,000	1,500,000	-	-
Unmarketable parcel share buy-back, net of costs	(656,384)	(134,960)	-	-
Balance at end of year	107,871,688	15,097,558	313,826,457	65,222,622
Shares issued – Performance A*	26,250,000	1,312,500	-	-
Shares issued – Performance B*	26,250,000	787,500	-	-
		17,197,558	313,826,457	65,222,622

\* The performance shares were issued on 26 February 2010 and are subject to ASX approved performance criteria

(c) Terms and Conditions of Performance Shares

Performance Shares A

*Rights attaching to the Class A Performance Shares*

- (a) **(Class A Performance Shares)** Each Class A Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class A Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class A Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class A Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class A Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class A Performance Share.
- (f) **(Not Transferable)** The Class A Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class A Performance Shares will not be quoted on ASX. However, upon conversion of the Class A Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class A Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class A Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

*Conversion of the Class A Performance Shares*

- (a) **(Conversion on achievement of milestone)** Each Class A Performance Share will convert into one Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:
  - (i) The Company achieving audited revenues in any financial year of not less than \$3,000,000; or
  - (ii) The execution by the Company of unconditional sales contracts for its products in excess of \$5,000,000 in aggregate;
  - (iii) The execution by the Company of two unconditional joint venture agreements for the development of the Company's assets with either:
    - (A) significant internationally recognised companies; or
    - (B) companies recognised as leaders in their respective industry, in each case with upfront licence fees and royalties payable to the Company; or
  - (iv) The receipt of orders from the United States Department of Defence for the Company's products totalling in excess of \$3,000,000 in aggregate, within 3 years of the date of issue of the Class A Performance Shares (**Milestone**).

(c) **Terms and Conditions of Performance Shares (continued)**

- (b) **(Redemption if Milestone not Achieved)** If a Milestone is not achieved by the required date, then each Class A Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (c) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class A Performance Shares into Shares.
- (d) **(Ranking of Class A Performance Shares)** The Shares into which the Class A Performance Shares will convert will rank pari passu in all respects with existing Shares.

**Performance Shares B**

***Rights attaching to the Class B Performance Shares***

- (a) **(Class B Performance Shares)** Each Class B Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class B Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class B Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class B Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class B Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class B Performance Share.
- (f) **(Not Transferable)** The Class B Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class B Performance Shares will not be quoted on ASX. However, upon conversion of the Class B Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class B Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class B Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

***Conversion of the Class B Performance Shares***

- (a) **(Conversion not to occur until Class A Performance Share milestones achieved)** No Class B Performance Share can be converted into a Share until such time as all performance hurdles for the Class A Performance Shares have been achieved.
- (b) **(Class A Performance Share milestones not to be considered in measuring Class B Performance Share milestones)** In calculating any amounts for determining the satisfaction of the Class B Performance Share milestones in paragraph (c) below, all amounts used in determining the satisfaction of the Class A Performance Share milestones shall be disregarded.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(c) Terms and Conditions of Performance Shares (continued)

- (c) **(Conversion on achievement of milestone)** Each Class B Performance Share will convert into one Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:
- (i) The Company achieving audited revenues in any financial year of not less than \$12,000,000; or
  - (ii) The execution by the Company of unconditional sales contracts for its products in excess of \$20,000,000 in aggregate;
  - (iii) The execution by the Company of an additional two unconditional joint venture agreements for the development of the Company's assets with either:
    - (A) significant internationally recognised companies; or
    - (B) companies recognised as leaders in their respective industry, in each case with upfront licence fees and royalties payable to the Company; or
  - (iv) The receipt of orders from the United States Department of Defence for the Company's products totalling in excess of \$12,000,000 in aggregate, within 5 years of the date of issue of the Class B Performance Shares (**Milestone**).
- (d) **(Redemption if Milestone not Achieved)** If a Milestone is not achieved by the required date, then each Class B Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (e) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class B Performance Shares into Shares.
- (f) **(Ranking of Class B Performance Shares)** The Shares into which the Class B Performance Shares will convert will rank pari passu in all respects with existing Shares.

(d) Share options issued

At the year end there were 7,000,000 free attaching options outstanding (2009: 70,000,000 – consolidated on a 1:10 basis) and 21,000,000 share based payment options outstanding (2009: nil). Refer to note 15 for details of the share based payment options outstanding.

(e) Movements in share options

	Grant date	Exercise Price	Expiry date	Balance at beginning of year * Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of year Number
<b>2010 year</b>								
Unlisted options	19/06/08	\$0.10	31/12/12	7,000,000	-	-	-	7,000,000
Unlisted options	26/02/10	\$0.30	26/02/12	-	16,000,000	-	-	16,000,000
Unlisted options	26/02/10	\$0.40	26/02/12	-	2,500,000	-	-	2,500,000
Unlisted options	26/02/10	\$0.50	26/02/14	-	2,500,000	-	-	2,500,000
				<u>7,000,000</u>	<u>21,000,000</u>	<u>-</u>	<u>-</u>	<u>28,000,000</u>

\* 2009: 70,000,000 unissued ordinary shares under option, exercisable at \$0.01, were consolidated on a 1:10 basis during the year.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(e) Movements in share options (continued)

	Grant date	Exercise Price	Expiry date	Balance at beginning of year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of year Number
2009 year Unlisted options	19/06/08	\$0.10	31/12/12	-	70,000,000	-	-	70,000,000
				-	70,000,000	-	-	70,000,000

No options expired or lapsed during the periods covered by the above tables

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

(f) Terms and conditions of contributed equity

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

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

(g) Capital Management

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

15. SHARE-BASED PAYMENTS

Shares

	2010 Number	2010 Value per Share \$	2010 \$
Share-based payments issued during the year for services received	2,500,000	0.20	500,000
Share-based payments issued during the year for Alexium Limited acquisition paid to vendors	50,000,000	0.20	10,000,000

The shares were issued in respect of the acquisition of Alexium Limited at a deemed value of 20 cents each.

There were no share based payment shares issued in 2009.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

15. SHARE-BASED PAYMENTS (continued)

Performance Shares

	2010	2010	2010
	Number	Value per Share	
		\$	\$
Share-based payments issued during the year for:			
- services received	1,250,000	0.05	62,500
- services received	<u>1,250,000</u>	0.03	<u>37,500</u>
	<u>2,500,000</u>		<u>100,000</u>
Share-based payments issued during the year for:			
- payment to vendors	25,000,000	0.05	1,250,000
- payment to vendors	<u>25,000,000</u>	0.03	<u>750,000</u>
	<u>50,000,000</u>		<u>2,000,000</u>

The performance shares were issued in respect of the acquisition of Alexium Limited based on a deemed value of 20 cents discounted for the performance conditions of the performance shares.

There were no share based payment performance shares issued in 2009.

Options

	2010	2010	2010
	Number	Value per option	
		\$	\$
Share-based payments issued during the year for:			
- services rendered	11,000,000	0.012961	142,574
- services rendered	2,500,000	0.003928	1,637*
- services rendered	<u>2,500,000</u>	0.009519	<u>1,983*</u>
	<u>16,000,000</u>		<u>146,194</u>

\* Pro-rata over period of performance period.

Share-based payments issued during the year for:			
- payment to vendors	<u>5,000,000</u>	0.012961	<u>64,806</u>

The options were issued in respect of the acquisition of Alexium Limited.

There were no share based payment options issued in 2009.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

15. SHARE-BASED PAYMENTS (continued)

Share Based Payment Options Issued

	Grant date	Exercise Price	Expiry date	Balance at beginning of year *	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year	Vested and exercisable at the end of period
				Number	Number	Number	Number	Number	Number
<b>2010 year</b>									
Unlisted options	26/02/10	\$0.30	26/02/12	-	11,000,000	-	-	11,000,000	11,000,000
Unlisted options	26/02/10	\$0.40	26/02/12	-	2,500,000	-	-	2,500,000	1,250,000
Unlisted options	26/02/10	\$0.50	26/02/14	-	2,500,000	-	-	2,500,000	1,250,000
				-	16,000,000	-	-	16,000,000	13,500,000
Weighted average exercise price (\$)					0.35			0.35	0.33

There were no share based payment options issued in 2009.

No share based payment options expired during the periods covered by the above table.

No share based payment options were exercised during the current or prior period.

The weighted average remaining contractual life of share options outstanding at the end of the financial years was 1.97 years (2009: nil years), and the exercise prices range from 30 cents to 50 cents.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

<b>2010</b> <b>Expiry date</b>	<b>OPTION SERIES</b>		
	<b>26/02/12</b>	<b>26/02/12</b>	<b>26/02/14</b>
Dividend yield (%)	-	-	-
Expected volatility (%)	30	30	30
Risk-free interest rate (%)	4.5	4.5	5.1
Expected life of options (years)	2	2	4
Underlying share price (\$)	0.20	0.20	0.20
Option exercise price (\$)	0.30	0.40	0.50
Value of Option (\$)	0.012961	0.003928	0.009519

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

16. RESERVES

	Consolidated Group	
	2010	2009
	\$	\$
Option premium reserve	211,701	700
Foreign currency translation reserve	(33,000)	-
Balance at end of year	<u>178,701</u>	<u>700</u>

*Option premium reserve*

The option premium reserve is used to recognise the fair value of options issued.

	Consolidated Group	
	2010	2009
	\$	\$
Balance at beginning of year	700	700
Share-based payment expense	211,001	-
Balance at end of year	<u>211,701</u>	<u>700</u>

*Foreign currency translation reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1 (d). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated Group	
	2010	2009
	\$	\$
Balance at beginning of year	-	-
Foreign currency translation differences arising during the year	(33,000)	-
Balance at end of year	<u>(33,000)</u>	<u>-</u>

17. ACCUMULATED LOSSES

Balance at beginning of year	(64,620,189)	(64,319,084)
Capital reduction	64,618,625	-
Net loss attributable for the year	(5,776,704)	(301,105)
Balance at end of year	<u>(5,778,268)</u>	<u>(64,620,189)</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the year as shown in the statement of cash flows are reconciled to the related item in the statement of financial position as follows:

	Consolidated Group	
	2010	2009
	\$	\$
Cash on hand	3,303,043	628,164

Cash at bank attracts floating interest at current market rates.

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

	Consolidated Group	
	2010	2009
	\$	\$
Operating profit/(loss) after income tax	(5,776,704)	(301,105)
<b>Non-cash items</b>		
Depreciation of Non-current assets	4,004	-
Amortisation of intangible assets	235,650	-
Impairment	3,465,442	-
Share-based payment	746,195	-
Unrealised foreign exchange loss	9,340	-
<i>Changes in assets and liabilities net of effect of purchase of subsidiaries</i>		
(Increase) in receivables	(53,470)	(6,541)
(Increase)/Decrease in other current assets	(28,937)	14,351
Increase / (Decrease) in payables	130,359	(107,984)
Net cash (used in) operating activities	<u>(1,268,121)</u>	<u>(401,279)</u>

(c) Non-cash Financing and Investing Activities

- 1) The company acquired Alexium Limited as approved by shareholders at a general meeting held 29 January 2010. The acquired entity holds the global intellectual property known as "Reactive Surface Technology". Consideration for the acquisition was the issue of securities for a deemed value of \$12.06 million. There were additional share-based securities issued for a deemed value of \$746,195 share-based issue relating to the Alexium Limited acquisition.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(c) **Non-cash Financing and Investing Activities (continued)**

- 2) During the year Alexium Inc entered into a capital equipment lease from South Carolina Research Authority (SCRA) in the form of a grant. The value of the lease is US\$200,000 to lease equipment including forklift, lab equipment and computers of which US\$35,594 had been received by Alexium Inc at 30 June 2010. This amount is being recognised as income over three years. The repayments are nil per month for 3 years with a buyout option at the end of the period or return the equipment.

**19. SEGMENT REPORTING**

For management purposes, the Group is organised into one main operating segment which involves the development of a patented technology known as "Reactive Surface Technology" (RST). Alexium is the exclusive licensee of this particular patent and has applied for additional patents in its own capacity around the world. All of the Group's activities are interrelated and discrete financial information is reported to the Board (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.

**20. BUSINESS COMBINATION**

On 26 February 2010, the Company obtained control of Alexium Limited and Alexium Marketing Services Limited, by acquiring 100 percent of the shares and voting interests.

The fair values of identifiable assets and liabilities as at the date of acquisition were:

	Fair Value
	\$'000
Cash and cash equivalents	370,917
Other current assets	30,997
Property, plant and equipment	82,773
Intangible assets – patents, licences and trademarks (book value)	418,541
Trade and other payables	(425,120)
Total net identifiable assets	<u>478,108</u>

The fair value attributed to the patents, trademarks and licences has been calculated as followed:

Deemed fair value of consideration (shares and options)	12,064,806
Less net assets acquired above	<u>(478,108)</u>
Additional fair value attributed to patents, trademarks and licences.	<u>11,586,698</u>

The deemed fair value of the patents, licences and trademarks acquired is \$12,005,239 comprising of the book value of intangible assets recorded in the accounts of Alexium Limited of \$418,541 and \$11,586,698 arising on the business combination. The estimated related deferred taxation liability of \$3,465,442 arising on the business combination and initially allocated as goodwill has been subsequently impaired to nil.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**21. INVESTMENTS IN CONTROLLED ENTITIES**

Name of Entity	Country of Incorporation	Percentage Owned (ordinary shares)	
		2010 %	2009 %
<b>Parent Entity</b>			
Alexium International Group Limited	Australia		
<b>Subsidiaries of Alexium International Group Limited</b>			
ETW Premium Pty Ltd	Australia	100	100
Alexium Limited	Cyprus	100	0
Alexium Marketing Services Limited	United Kingdom	100	0
Alexium Inc	United States of America	100	0

**22. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Directors and other key management personnel**

The directors of Alexium International Group Limited during the financial year were:

- Mr Gavin Rezos (appointed 29 January 2010)
- Mr Stephen Ribich (appointed 1 March 2010)
- Mr Craig Smith-Gander (appointed 11 November 2009)
- Mr Stefan Susta (appointed 1 March 2010)
- Mr Aaron Finlay (appointed 31 March 2008 resigned 29 January 2010)
- Mr Joshua Mann (appointed 31 March 2008 resigned 10 July 2009)
- Mrs Nadine Donovan (appointed 31 March 2008 resigned 1 March 2010)

Mrs Nadine Donovan was appointed Company Secretary 1 March 2010 following the resignation of Mr Aaron Finlay.

Other key management personnel during the financial year were:

- Mr John Almond – Business Development Manager Europe (appointment effective from settlement of Alexium Limited acquisition being 26 February 2010)
- Dr Bob Brookins – Chief Technology Office (formally appointed 1 August 2010 however engaged as a consultant since Alexium Limited acquisition being 26 February 2010)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(b) Compensation of key management personnel

Detailed remuneration disclosures are provided in the Remuneration report on pages 8 to 15.

	Consolidated Group	
	2010	2009
	\$	\$
Short-term benefits	398,723	46,009
Post employment benefits	4,540	540
Share-based payments	729,992	-
	<u>1,133,255</u>	<u>46,549</u>

**Value of options issued to directors and executives**

Under the Alexium Limited acquisition agreement, the directors and executives of the Company were issued with a total of 14,750,000 options (2009: nil) with a value of \$146,194 (2009: nil) as share-based remuneration during the year.

(c) Equity instrument disclosures relating to key management personnel

(i) *Option holdings*

The number of options over ordinary shares in the Company held during the financial year by each director and executive of Alexium International Group Limited, including their personally related parties, are set out below.

**2010**

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>						
Mr G Rezos *	2,600,000	2,250,000	-	50,000	4,900,000	4,900,000
Mr S Ribich **	-	5,000,000	-	-	5,000,000	2,500,000
Mr C Smith-Gander *	-	1,000,000	-	-	1,000,000	1,000,000
Mr S Susta **	-	1,500,000	-	-	1,500,000	1,500,000
Mr J Mann # +	1,175,000	-	-	-	1,175,000	1,175,000
Mr A Finlay #	-	-	-	-	-	-
Mrs N Donovan #	-	-	-	-	-	-
<b><i>Total Directors</i></b>	<b>3,775,000</b>	<b>9,750,000</b>	<b>-</b>	<b>50,000</b>	<b>13,575,000</b>	<b>11,075,000</b>
<b><i>Executives</i></b>						
Mr J Almond **	-	5,000,000	-	-	5,000,000	2,500,000
Dr B Brookins	-	-	-	-	-	-
<b><i>Total Executives</i></b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>2,500,000</b>
<b><i>Total Directors and Executives</i></b>	<b>3,775,000</b>	<b>14,750,000</b>	<b>-</b>	<b>50,000</b>	<b>18,575,000</b>	<b>13,575,000</b>

\* Balance at date of appointment

\*\* Balance at date of Alexium Limited acquisition

# Balance at date of resignation

+ Post consolidation (1:10)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(c) Equity instrument disclosures relating to key management personnel (continued)

2009

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>						
Mr J Mann *	11,750,000	-	-	-	11,750,000	11,750,000
Mr A Finlay *	-	-	-	-	-	-
Mrs N Donovan *	-	-	-	-	-	-
<b>Total</b>	11,750,000	-	-	-	11,750,000	11,750,000

\* Balance at date of appointment

(ii) *Share holdings*

The number of shares in the Company held during the financial year by each director and executive of Alexium International Group Limited, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

2010

Name	Balance at start of year ORDINARY SHARES	Balance at start of year PERFORMANCE SHARES	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Other changes during year PERFORMANCE SHARES	Balance at end of year ORDINARY SHARES	Balance at end of year PERFORMANCE SHARES
	Number	Number	Number	Number	Number	Number	Number
<b><i>Directors</i></b>							
Mr G Rezos *	5,496,695	-	-	5,964,452	2,500,000	11,461,147	2,500,000
Mr S Ribich *	18,344,143	27,915,000	-	-	-	18,344,143	27,915,000
Mr C Smith-Gander *	-	-	-	114,286	-	114,286	-
Mr S Susta *	-	-	-	-	-	-	-
Mr J Mann * ##	1,600,000	-	-	-	-	1,600,000	-
Mr A Finlay * ##	220,000	-	-	-	-	220,000	-
Mr N Donovan * ##	200,000	-	-	-	-	200,000	-
<b>Total Directors</b>	25,860,838	27,915,000	-	6,078,738	2,500,000	31,939,576	30,415,000
<b><i>Executives</i></b>							
Mr J Almond *	14,513,000	22,085,000	-	-	-	14,513,000	22,085,000
Dr B Brookins	-	-	-	-	-	-	-
<b>Total Executives</b>	14,513,000	22,085,000	-	-	-	14,513,000	22,085,000
<b>Total Directors and Executives</b>	40,373,838	50,000,000	-	6,078,738	2,500,000	46,452,576	52,500,000

\* Balance at date of appointment

# Balance at date of resignation

+ Post consolidation (1:10)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(c) Equity instrument disclosures relating to key management personnel (continued)

2009

Name	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at end of year
	Number	Number	Number	Number
<b><i>Directors</i></b>				
Mr J Mann * #	16,000,000	-	-	16,000,000
Mr A Finlay *	2,200,000	-	-	2,200,000
Mr N Donovan *	2,000,000	-	-	2,000,000
<b>Total</b>	<b>20,200,000</b>	<b>-</b>	<b>-</b>	<b>20,200,000</b>

\* Balance at date of appointment

# Balance at date of resignation

(d) Other transactions with key management personnel

- 1) Albion Capital Partners, a related party of G Rezos, was paid \$38,500 (2009: \$92,500) during the financial year in relation to providing management, administration and accounting personnel prior to the Alexium Limited acquisition. Of this, \$3,881 in services provided remained unpaid to G Rezos as at 30 June 2010.
- 2) During the period \$342,774 was paid or payable to Viaticus Capital Pty Ltd, a related party of G Rezos, as follows:
  - (a) \$155,825 (2009: nil) for capital raising fees.
  - (b) \$63,548 (2009: nil) for management fees relating to the successful completion of the Alexium Limited acquisition and investor relations services. This amount is net of GST claimable and is included in the remuneration table per page 11.
  - (c) \$123,401 (2009: nil) to reimburse sums paid by Viaticus on behalf of Alexium for travel and relocation expenses, administration services and equipment purchases. Of this, \$18,395 in consulting fees and expense reimbursements remained unpaid to G Rezos as at 30 June 2010
- 3) During the period \$37,017 (2009: nil) was paid or payable to Blackwood Pty Ltd, a related party of N Donovan, for consulting fees. Of this, \$17,892 in consulting fees remained unpaid to N Donovan as at 30 June 2010. Prior to the Alexium acquisition, N Donovan received consulting fees indirectly through Albion Capital Partners totalling \$38,664. These amounts are net of GST claimable and is included in the remuneration table per page 11
- 4) Tandem Ventures, a related party of S Susta, was paid \$37,227 (2009: nil) for consulting fees during the financial year, post the Alexium Limited acquisition. This amount is disclosed in the remuneration table per page 11.

23. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

23. FINANCIAL INSTRUMENTS (continued)

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

	Consolidated Group	
	2010	2009
	\$	\$
Cash at bank and in hand	2,296,226	628,164
Short-term deposit	1,006,817	-
Net exposure	<u>3,303,043</u>	<u>628,164</u>

The weighted average effective interest rate of financial instruments held at balance date was:

Cash & cash equivalents	3.41%	(2009: 3.2%)
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*Sensitivity risk*

At 30 June 2010, if interest rates had increased by 1% from the year end variable rates with all other variables held constant, post tax profit and equity for the Group would have been \$33,030 higher (2009: changes of 1% \$6,281 higher/\$6,281 lower).

The 1% (2009: 1%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical RBA movements over the **last year**.

*Foreign currency risk*

The Group currently conducts its operations across international borders.

A proportion of the Group's revenues, cash inflows, other expenses, capital expenditure and commitments are denominated in foreign currencies, namely with costs and income in US dollars, GBP and Euro initially.

To comply with Australian reporting requirements the income, expenditure and cash flows of the Group will need to be accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets.

*Credit risk*

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure. The Group's exposure to credit risk is minimal.

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**23. FINANCIAL INSTRUMENTS (continued)**

*Liquidity risk*

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being development of a patented technology known as "Reactive Surface Technology", the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

**(b) Net fair values of financial assets and liabilities**

The net fair values of the financial assets and liabilities at balance date of Alexium International Group Limited approximate the carrying amounts in the financial statements, except where specifically stated.

**24. PARENT ENTITY INFORMATION**

The following details information related to the parent Entity, Alexium International Group Limited, at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Parent Entity	
	2010	2009
	\$	\$
Current Assets	2,485,893	636,596
Non-current assets	13,448,696	-
Total Assets	<u>15,934,589</u>	<u>636,596</u>
Current liabilities	109,819	31,900
Non-current liabilities	-	-
Total Liabilities	<u>109,819</u>	<u>31,900</u>
Contributed equity	17,197,558	65,222,622
Accumulated losses	(1,584,489)	(64,618,626)
Reserves	211,701	700
Total equity	<u>15,824,770</u>	<u>604,696</u>
Loss for the year	(1,584,489)	(299,541)
Other comprehensive income net of tax for the year	-	-
Total comprehensive income net of tax for the year	<u>(1,584,489)</u>	<u>(299,541)</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

**24. PARENT ENTITY INFORMATION (continued)**

As at 30 June 2010 loans to controlled entities of the parent company with a nominal value of \$5,313 (2009: Nil) were impaired. The amount of the impairment expense was \$5,313 (2009: Nil).

The Company's commitments and contingencies are items 2 to 4 of note 25.

**25. COMMITMENTS AND CONTINGENCIES**

The Group has the following contingent liabilities and commitments.

- 1) Alexium has entered into an agreement with the United States Department of Defence whereby Alexium owns exclusive rights for the RST Technology in the United States in exchange for a 2.5% gross sales royalty to be paid to the US Government. Alexium has also entered into an agreement with Dr Owens for exclusive rights to the rest of the world, excluding the United States, in exchange for a 5% gross sales royalty to be paid to Dr Owens.
- 2) The Group has an agreement in place with Mr Smith-Gander, non-executive director, to pay annual director fees of \$25,000 pa and a commitment to pay executive director fees to Mr Rezos of \$60,000, Mr Ribich A\$250,000 and Mr Susta of US\$120,000 pa effective from the Acquisition date of Alexium Limited being 26 February 2010.
- 3) The Group has entered into an agreement with Thomson Reuters to provide corporate communications services for A\$983 per month. The agreement is for a 12 month term and will commence on 1 December 2010 with a renewal option of 12 months thereafter.
- 4) The Group has an agreement with Dr Reuter in Germany to provide investor relations services for Euro 3,000 per month. The agreement is for a 6 month term effective from 1 May 2010 with a renewal option of 12 months thereafter with a renewal option of 12 months thereafter.

Based on discussions with the Directors and legal advisors, to our knowledge, the Group has no other material commitments or contingent liabilities.

**(a) Commitments**

Lease commitments

*(i) Operating leases*

Alexium Inc leases offices in South Carolina under an operating lease which expires in 3 years. The lease has various terms, escalation clauses and renewal rights.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**  
**ALEXIUM INTERNATIONAL GROUP LIMITED**

(a) Commitments (continued)

	Consolidated Group	
	2010	2009
	\$	\$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	47,631	-
Later than one year but not later than 5 years	86,634	-
Later than 5 years	-	-

(ii) *Capital equipment lease*

During the year Alexium Inc entered into a capital equipment lease from South Carolina Research Authority (SCRA) in the form of a grant. The value of the lease is US\$200,000 to lease equipment including forklift, lab equipment and computers of which US\$35,594 had been received by Alexium Inc at 30 June 2010. This amount is being recognised as income over three years. The repayments are nil per month for 3 years with a buyout option at the end of the period or return the equipment.

The Group had no other commitments as at 30 June 2010.

(b) Contingencies

Alexium Limited has a potential tax liability of Euro 2,050 issued by the Cyprus tax authorities. This relates to interest income earned on a UK bank balance for the 2007 year. However an objection has been filed as a credit has not been applied for UK tax paid on this amount at the time.

The Group had no other contingent liabilities or commitments as at 30 June 2010.

26. DIVIDENDS

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

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

27. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affects the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## DIRECTORS' DECLARATION

---

The directors of the company declare that:

1. the financial statements, comprising the statement of comprehensive income, the statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, as set out on pages 21 to 58 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the groups financial position as at 30 June 2010 and of the performance for the year ended on that date;
2. the group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards
3. the Chief Executive Officer has declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards;
  - (c) the financial statements and notes for the financial year give a true and fair view; and
  - (d) the remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
4. the remuneration disclosed included on pages 8 to 15 of the directors' report (as part of the audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.
5. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Gavin Rezos  
Executive Chairman  
Perth, 30<sup>th</sup> September 2010

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALEXIUM INTERNATIONAL GROUP LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Alexium International Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Alexium International Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 14 of the directors' report for the year ended 30 June 2010. 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

#### *Auditor's opinion*

In our opinion the remuneration report of Alexium International Group Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL**  
**(An Authorised Audit Company)**



**J P Van Dieren**  
Director

West Perth, Western Australia  
30 September 2010

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## ADDITIONAL INFORMATION

### ALEXIUM INTERNATIONAL GROUP LIMITED

The distribution of members and their holdings at 22 September 2010 was as follows:-

NAME OF 20 LARGEST ORDINARY SHAREHOLDERS	NUMBER OF ORDINARY FULLY PAID SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
Korcula (BVI) SA	18,344,143 *	17.01
HSBC Custody Nominees (Australia) Limited	17,142,857 *	15.89
Piper Buchanan Limited	14,513,000 *	13.45
Aymon Pacific Pty Ltd	7,570,960 *	7.02
Rezos GJ & JE	4,320,185 *	4.00
Oaktone Nominees Pty Ltd	3,815,000	3.54
JP Morgan Nominees Australia Limited	3,045,395	2.82
Peter Macskasy Barnes	1,621,000	1.50
Dilato Holdings Pty Ltd	1,250,000	1.16
Nick Otty	1,165,000	1.08
Celtic Capital Pty Ltd	920,000	0.85
Banskin Pty Ltd	875,000	0.81
Australian Global Capital Pty Ltd	870,408	0.81
Professional Payment Services Pty Ltd	725,000	0.67
Rainwood Holdings Pty Ltd	606,000	0.56
Ridge Street Investments Pty Ltd	575,000	0.53
Medical Corporation Australasia Limited	550,000	0.51
Dolphin Capital Partners Pty Ltd	500,000	0.46
Alan James George Parr	500,000	0.46
Redmine Solutions Ltd	500,000	0.46
	<u>79,409,548</u>	<u>73.61</u>

#### MARKETABLE PARCEL

At 22 September 2010, 448 shareholders held less than a marketable parcel.

#### SUBSTANTIAL SHAREHOLDERS

Shares held by substantial shareholders listed in the company's register at 22 September 2010 are indicated by \* above.

#### VOTING RIGHTS – ORDINARY SHARES

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

#### 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.

#### DISTRIBUTION OF SHAREHOLDERS

	Shareholders
1 - 1,000 shares	415
1,001 - 5,000 shares	104
5,001 - 10,000 shares	87
10,001 - 100,000 shares	336
100,001 and over	94
Total Ordinary Shareholders	<u>1036</u>