



ALEXIUM INTERNATIONAL GROUP LIMITED

ABN 91 064 820 408

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2014

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SUPPLEMENTARY APPENDIX 4D INFORMATION

ALEXIUM INTERNATIONAL GROUP LIMITED ABN 44 009 163 919

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

Current reporting period: 1 July 2014 to 31 December 2014
Previous reporting period: 1 July 2013 to 31 December 2013

				\$A
Revenue from ordinary activities	Down	43%	to	\$119,934
Loss from ordinary activities after tax attributable to members	Up	58%	to	(\$2,882,145)
Net loss for the period attributable to members	Up	58%	to	(\$2,882,145)

Dividends	Amount per security	Franked amount per security
Interim dividend declared this period	Nil	Nil
Interim dividend declared and paid in previous corresponding period	Nil	Nil
Final dividend 2014	Nil	Nil

Explanation of Revenue from ordinary activities

The Company's revenue in the previous reporting period was represented by interest received on its bank account balance, income from Duro licensing payments and US Department of Defence contracts as well as an R & D refund and grant. The primary contributor to the decreases in revenue between current period and previous period is a strategic focusing of the business away from grant income, due to maturity of our technologies, and into the military and commercial marketplace. Such a transition requires a period where product developments are made with customers prior to revenue generation. Even with this fact, Alexium's non-grant revenue for this period actually increased over the previous period, which is a very positive leading indicator for 2015.

SUPPLEMENTARY APPENDIX 4D INFORMATION

ALEXIUM INTERNATIONAL GROUP LIMITED ABN 44 009 163 919

Explanation of Loss from ordinary activities after tax attributable to members and Net loss for the period attributable to members

The increase in loss is due to increased spending for travel, fabric samples, testing and chemistry. Alexium have also hired three additional staff: two chemists and our Head of Commercial Operations to meet increasing demands of the scale up process. Alexium improved the laboratory and facilities by purchasing high end certification and verification equipment to be able to certify samples before sending them to clients. In addition, due to the increase in sales, marketing and finance staff the Company moved the administration group into a separate location, while the technical and R&D teams remained at the current facility.

In October 2014, Alexium completed a capital raise of AU\$1.65 million (11 million fully paid shares at AU\$0.15 with a 1 for 2 attaching 2 year option exercisable at 25c.) to US Investors and also some Australian based investors through Baker Young Stockbrokers.

Net Tangible Assets	31/12/14	31/12/13
Net Tangible Asset backing per ordinary shares	(0.99 cents)	(1.65 cents)

Controlled entities acquired or disposed of

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

Additional dividend/distributions information

Not applicable

Dividend/distribution reinvestment plans

None

Associates and Joint Venture entities

None

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2014.

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

Mr Gavin Rezos
Mr Nicholas Clark
Mr Craig Smith-Gander
Mr Craig Metz (appointed 1 December 2014)

RESULTS AND REVIEW OF OPERATIONS

The Group's net loss attributable to members of the Company for the half-year ended 31 December 2014 was \$2,882,145 (half-year ended 31 December 2013 net loss: \$1,823,546). There was an overall increase in expenditure on operations compared to the corresponding year for two primary reasons: first, in this financial period, Alexium went through a sizable expansion of its scale-up efforts towards commercial sale of its Alexiflam chemistries with a wide range of customers across multiple markets. These efforts necessitate increased spending for travel, fabric samples, testing and chemistry which are a natural part of the scale-up process. Secondly, to meet the increasing demands of our scale-up and chemistry delivery efforts, Alexium hired three additional staff: two chemists and our Head of Commercial Operations.

In addition to the Ascalon™ product licensed to Duro Textiles, Alexium has lined up initial sales for Nycolon®, Nuvalon®, and Polytron™ and is entering production trials leading to firm supply agreements. Key agreements to date include Duro, Euroflam and iTextiles – as users and/or indent agents to fabric mills.

As at 31 December 2014 the cash position was \$5,273,937 (30 June 2014: \$4,197,460) and the Company had 235,440,490 ordinary shares on issue (30 June 2014: 202,025,435)

SUBSEQUENT EVENTS

Alexium will continue to establish global partnerships to distribute the chemicals to fabric mills around the globe and will continue to expand these sales and product roll-out activities to cover global demand for its products.

Alexium has begun expanding the sales and marketing office and adding staff to support products and provide customer service functions. Alexium is scaling production with toll manufacturing partners and clearing logistics and distribution hurdles.

In January 2015, 600,000 convertible notes were converted to fully paid shares. In addition 228,334 free attaching unlisted options were exercised at \$0.25 each and 749,866 unlisted options were exercised at \$0.15 each.

In February 2015, 550,000 unlisted options were exercised at \$0.08 each, 166,666 free attaching unlisted options were exercised at \$0.25 each and 20,000 unlisted options were exercised at \$0.15 each.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the financial report.

Dated this 27th day of February 2015.

Signed in accordance with a resolution of the Directors.



Nicholas Clark
Chief Executive Officer

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27 February 2015

Board of Directors
Alexium International Group Limited
Norfolk House, Suite 7,
85 Forrest Street,
COTTESLOE, WA, 6011

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 review of the financial statements of Alexium International Group Limited for the half year ended 31 December 2014, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Revenue	4	119,934	209,851
Cost of Sales		(10,185)	(60,108)
Administrative Expenses		(875,009)	(410,658)
Employee Benefits Expense		(938,667)	(743,175)
Research and Development		(320,643)	(352,284)
Share-Based Payments	7	(246,828)	(35,091)
Depreciation & Amortisation		(402,190)	(383,547)
Impairment		(199,878)	-
Interest and Amortisation Expense on Convertible Notes		(110,521)	(150,376)
Loss before income tax		(2,983,987)	(1,925,388)
Income tax benefit		101,842	101,842
Loss attributable to members of the Company		(2,882,145)	(1,823,546)
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss		-	-
Items that may be subsequently classified to profit or loss		479,916	85,967
Total comprehensive income / (loss) for the period		(2,402,229)	85,967
Total comprehensive income / (loss) attributable to the members of the Company		(2,402,229)	(1,737,579)
Loss per share (cents)			
Basic		(1.36)	(1.11)
Diluted		(1.36)	(1.11)

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

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CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,273,937	4,197,460
Trade and other receivables		35,598	70,975
Other current assets		169,891	103,661
Total Current Assets		5,479,426	4,372,096
Non-Current Assets			
Other financial assets		7,353	5,402
Property, plant and equipment		417,439	343,142
Intangible assets		8,537,288	9,052,124
Total Non-Current Assets		8,962,080	9,400,668
Total Assets		14,441,506	13,772,764
LIABILITIES			
Current Liabilities			
Trade and other payables		252,048	189,680
Provisions		28,529	18,749
Convertible Notes - Current		-	636,181
Other – deferred income		64,315	63,564
Total Current Liabilities		344,892	908,174
Non-Current Liabilities			
Deferred tax liability		2,478,165	2,580,008
Convertible Notes - Non-Current		748,345	930,039
Total Non-Current Liabilities		3,226,510	3,510,047
Total Liabilities		3,571,402	4,418,221
NET ASSETS		10,870,104	9,354,543
EQUITY			
Contributed equity		28,444,602	24,773,640
Reserves		1,250,422	523,678
Accumulated losses		(18,824,920)	(15,942,775)
TOTAL EQUITY		10,870,104	9,354,543

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contributed equity	Reserves	Consolidated Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2014	24,773,640	523,678	(15,942,775)	9,354,543
Loss for the period	-	-	(2,882,145)	(2,882,145)
Foreign currency translation	-	479,916	-	479,916
Total comprehensive income / (loss)	-	479,916	(2,882,145)	(2,402,229)
Transactions with owners in their capacity as owners:				
Issued capital	2,508,000	-	-	2,508,000
Share issue costs	(34,288)	-	-	(34,288)
Performance rights expensed	-	117,309	-	117,309
Options exercised	997,250	-	-	997,250
Share-based payment	-	129,519	-	129,519
Share-based payment in lieu of salary	200,000	-	-	200,000
Balance at 31 December 2014	28,444,602	1,250,422	(18,824,920)	10,870,104
Balance at 1 July 2013	18,092,756	514,749	(11,930,131)	6,677,374
Loss for the period	-	-	(1,823,546)	(1,823,546)
Foreign currency translation	-	85,967	-	85,967
Total comprehensive income / (loss)	-	85,967	(1,823,546)	(1,737,579)
Transactions with owners in their capacity as owners:				
Issued capital	1,600,500	-	-	1,600,500
Share issue costs	(90,251)	-	-	(90,251)
Performance rights expensed	-	15,282	-	15,282
Options exercised	70,417	-	-	70,417
Share-based payment	-	19,809	-	19,809
Share-based payment in lieu of salary	100,000	-	-	100,000
Balance at 31 December 2013	19,773,422	635,807	(13,753,677)	6,655,552

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated	Consolidated
	31 December	31 December
	2014	2013
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	151,381	207,884
Cash payments to suppliers and employees	(1,973,205)	(1,504,297)
Goods & Services tax received from ATO	19,228	35,833
Interest received	13,976	6,904
Net cash flows used in operating activities	<u>(1,788,620)</u>	<u>(1,253,676)</u>
Cash flows from investing activities		
Increase in intangibles	(17,752)	(8,487)
Purchase of property, plant and equipment	(14,534)	(29,299)
Net cash flows used in investing activities	<u>(32,286)</u>	<u>(37,786)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	2,647,251	1,540,417
Convertible Notes Interest Paid	(77,496)	(107,296)
Payment of share issue costs	(34,288)	(90,251)
Net cash flows from financing activities	<u>2,535,467</u>	<u>1,342,870</u>
Net increase in cash and cash equivalents	714,561	51,408
Cash and cash equivalents at beginning of period	4,197,460	1,163,231
Effect of exchange rate changes on cash and cash equivalents	361,916	30,801
Cash and cash equivalents at end of period	<u>5,273,937</u>	<u>1,245,440</u>

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

1. CORPORATE INFORMATION

The financial report of Alexium International Group Limited (the Company) for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 27 February 2015.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual Financial Report of Alexium International Group Limited as at 30 June 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by Alexium International Group Limited and its controlled entities ("the Group") during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Alexium International Group Limited has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The application of the new or revised Standards and Interpretations does not have a material impact on the accounting policies or disclosures.

(c) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Alexium International Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

3. 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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4. REVENUE

	31 December 2014	31 December 2013
	\$	\$
Sales	16,430	202,947
Interest received - other persons	13,976	6,904
Grant income	87,237	-
Other Income	2,291	-
	<u>119,934</u>	<u>209,851</u>

5. CASH AND CASH EQUIVALENTS

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

	31 December 2014	30 June 2014
	\$	\$
Cash at bank and in hand	<u>5,273,937</u>	<u>4,197,460</u>
	<u>5,273,937</u>	<u>4,197,460</u>

6. CONTRIBUTED EQUITY

(a) Shares Issued

The number of ordinary shares on issue at 31 December 2014 are 235,440,490 (30 June 2014: 202,025,435).

Movements in Shares

	31 December 2014	
	Number	\$
Balance of ordinary shares at beginning of period	202,025,435	24,773,640
Shares issued from share placement, net of costs	11,000,000	1,615,712
Shares issued on conversion of convertible notes series A	7,610,267	643,000
Shares issued on conversion of convertible notes series B	2,150,000	215,000
Shares issued on conversion of performance rights (2013)	7,700,000	-
Shares issued on conversion of options	3,625,000	997,250
Shares issued in lieu of salary	1,329,788	200,000
	<u>235,440,490</u>	<u>28,444,602</u>

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(b) Share Options Issued

At 31 December 2014 4,575,000 (30 June 2014: Nil) free attaching unlisted options were outstanding and 18,965,000 (30 June 2014: 19,415,000) share based payment options were outstanding.

In September 2014, Alexium issued 750,000 3 year unlisted options exercisable at \$0.18 for services rendered. These options vested immediately.

In November 2014, Alexium issued 5,500,000 2 year free attaching unlisted options exercisable at \$0.25. In addition 750,000 3 year unlisted options exercisable at \$0.198 were issued to a Director. These options vested immediately.

Movements in Share Options

	Grant date	Exercise Price	Expiry date	Balance at beginning of period Number	Granted during the period Number	Exercised during the period Number	Forfeited/ Expired during the period Number	Reinstated during the period Number	Balance at end of period Number
31 December 2014									
Unlisted options	21/03/11	\$0.15	31/12/15	-	-	-	-	750,000	750,000
Unlisted options	21/03/11	\$0.15	31/12/15	6,375,000	-	-	-	-	6,375,000
Unlisted options	30/07/10	\$0.30	31/12/14	2,500,000	-	(2,500,000)	-	-	-
Unlisted options	21/03/11	\$0.20	31/12/15	-	-	-	-	750,000	750,000
Unlisted options	21/03/11	\$0.25	31/12/15	1,000,000	-	-	-	-	1,000,000
Unlisted options	22/06/11	\$0.10	24/06/16	540,000	-	-	-	-	540,000
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	-	-	-	5,000,000
Unlisted options	30/11/12	\$0.074	31/12/16	4,000,000	-	(200,000)	(750,000)	-	3,050,000
Unlisted options	01/09/14	\$0.18	31/08/17	-	750,000	-	-	-	750,000
Unlisted options	10/11/14	\$0.198	09/11/17	-	750,000	-	-	-	750,000
Unlisted options	10/11/14	\$0.25	09/11/16	-	5,500,000	(925,000)	-	-	4,575,000
				19,415,000	7,000,000	(3,625,000)	(750,000)	1,500,000	23,540,000

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(c) Performance Rights Issued

The number of performance rights on issue at 31 December 2014 are 8,500,000 (30 June 2014: 8,600,000).

Movements in Performance Rights

	31 December 2014
	Number
Balance of performing rights at beginning of period	8,600,000
Performance rights (2013) cancelled	(900,000)
Performance rights (2013) converted to shares	(7,700,000)
Performance rights (2014) issued	8,500,000
	<hr/>
Balance of performance rights at end of period	8,500,000

As announced on the 10 November 2014, Alexium issued 8,500,000 performance rights; 5,500,000 issued to directors and 3,000,000 issued to employees. In order to vest, milestone 1 and any 2 of the other milestones will need to be achieved by 30 June 2016.

1. Share Price Appreciation

The price of Shares as traded on ASX must equal or exceed \$0.187 over a 5 day volume weighted average closing price during the period, being the price which is a 35% premium to the 60 day volume weighted average closing price per share, calculated as at the date being 7 days before 7 October 2014, the date of the AGM notice.

2. Revenue of not less than \$5m for the Period

The Company must achieve at least \$5m in revenues during the period.

3. Achieving Product Sales on 3 Products

The Company must achieve either direct product sales revenues or licencing revenues on at least 3 products during the period.

4. Entering into Joint Ventures

The Company must enter into a new joint venture for the development of its products in the field of bromine replacement in Fire Retardants, with a recognised leader in the field, the subject of the joint venture, during the period.

5. Product Sales for Chem/Bio Protection

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6. United States Quotation

The Company's shares, American depositary receipts or the shares of the entity resulting from a merger of the Company and its US subsidiary being quoted on the New York Stock Exchange, the NASDAQ Securities Exchange or any subsidiary exchanges thereof relevant to companies the size of the Company or an equivalent US Securities Exchange for technology companies of similar standing, during the period.

7. US Department of Defense Contracts

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

7. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses - options

	31 December 2014	31 December 2014	31 December 2014
	Number	Value per option \$	\$
Options issued during current and previous periods but pro-rata over period of performance:			
- services rendered	750,000	0.053326	39,994
- ESOP	1,250,000	0.011428	2,994
- Director	750,000	0.124406	93,305
			<u>136,293</u>
Options issued during previous periods not vested, cancelled during current period			
- ESOP	750,000	0.011428	<u>(6,774)</u>
			<u>129,519</u>

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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

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

Assumptions:	
Valuation Date	10 November 2014
Market Price of Shares	26.0 cents
Price payable on vesting	Nil
Discount (probability – market based condition)	70%
Discount (unlisted status and transferability restrictions)	30%
Value per Performance Right	5.46 cents
Total Value of director Performance Rights	\$300,300
Total Value of employee Performance Rights	\$163,800

	31 December 2014 Value per Performance Right \$	31 December 2014 \$
Performance rights issued during the period and previous periods but pro-rata over period of performance:		
2013 Performance Rights	0.0231	70,899
2014 Performance Rights	0.0546	46,410
		<u>117,309</u>

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(c) Summary of Options Granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share-based payments options during the half-year to 31 December 2014.

	Half-Year Ended			
	31 December 2014 No.	31 December 2014 WAEP	31 December 2013 No.	31 December 2013 WAEP
Outstanding at the start of the period	19,415,000	\$0.16	26,290,000	\$0.16
Granted/reinstated during the period	3,000,000	\$0.18	-	-
Exercised/expired/cancelled during the period	(3,450,000)	\$0.24	(6,500,000)	\$0.16
Outstanding at the end of the period	18,965,000	\$0.15	19,790,000	\$0.16

The weighted average remaining contractual life of the share options outstanding at 31 December 2014 is 1.76 years (31 December 2013: 2.09 years).

8. DIVIDENDS

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

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

9. SUBSEQUENT EVENTS

In January 2015, 600,000 convertible notes were converted to fully paid shares. In addition 228,334 free attaching unlisted options were exercised at \$0.25 each and 749,866 unlisted options were exercised at \$0.15 each.

In February 2015, 550,000 unlisted options were exercised at \$0.08 each, 166,666 free attaching unlisted options were exercised at \$0.25 each and 20,000 unlisted options were exercised at \$0.15 each.

10. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There have been no material changes to the commitments as disclosed in the annual report to 30 June 2014.

(b) Contingencies

There have been no material changes to the contingencies as disclosed in the annual report to 30 June 2014.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the Consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Nicholas Clark
Chief Executive Officer
27 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alexium International Group Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Alexium International Group Limited (the consolidated entity). The consolidated entity comprises both Alexium International Group Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alexium International Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Alexium International Group Limited on 27 February 2015.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International
Samir Tirodkar

Samir Tirodkar
Director

West Perth, Western Australia
27 February 2015

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