

Rule 4.3A

Appendix 4E

Preliminary final report

Name of entity:

Alexium International Group Limited

ABN or equivalent company
reference:

91 064 820 408

1. Reporting period

Reporting period:

Year ended 30 June 2015

Previous corresponding period:

Year ended 30 June 2014

2. Results for announcement to the market

\$A

| | | | | | |
|-----|--|----|-------------|----|---------------------|
| 2.1 | Revenue from ordinary activities | up | 59% | to | 415,448 |
| 2.2 | Loss from ordinary activities for the period after tax attributable to members | up | 253% | to | (11,763,566) |
| 2.3 | Net loss for the period attributable to members | up | 253% | to | (11,763,566) |

| 2.4 Dividends | Amount per security | Franked amount per security |
|------------------|---------------------|-----------------------------|
| Final dividend | Nil | N/A |
| Interim dividend | Nil | N/A |

2.5 Record date for determining entitlements to the dividends

N/A

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

The Company has made prior period adjustments to its financial statements. Refer to Note 13. This restatement resulted in a 2015 net loss that is significantly higher than the operating costs associated with the reporting period and as such, is not representative of the real financial costs to the company.

The Group's net loss attributable to members of the Company for the financial year ended 30 June 2015 was \$11,763,566 (2014 restated: \$3,336,527). Initial revenue received from SCRA on execution of agreements will be allocated over the term of the agreements, not including future revenues which will be recorded in addition to this.

3. Consolidated Statement of Comprehensive Income

| | Current Period 2015 \$ | Previous Corresponding Period Restated 2014 \$ |
|---|------------------------------|--|
| Revenues from continuing operations | 385,636 | 242,465 |
| Cost of goods sold | (41,296) | (77,924) |
| Employee benefits expense | (2,988,825) | (1,624,160) |
| Depreciation and amortisation expenses | (134,465) | (107,271) |
| Research and development | (859,326) | (713,537) |
| Professional fees | (896,345) | (258,934) |
| Rent and utilities | (124,570) | (101,071) |
| Travel expense | (562,446) | (197,347) |
| Marketing | (127,702) | (166,017) |
| Impairment | (225,908) | - |
| Gain / (loss) from embedded derivative | (4,674,520) | 457,050 |
| Interest and amortisation of cost of raising convertible notes | (399,263) | (497,962) |
| Other expenses | (1,144,348) | (310,861) |
| Operating loss | (11,793,378) | (3,355,569) |
| Interest income | 29,812 | 19,042 |
| Loss before income tax | (11,763,566) | (3,336,527) |
| Income tax (expense) / benefit | - | - |
| Loss after income tax expense from continuing operations | (11,763,566) | (3,336,527) |
| Attributable to: | | |
| Members of the Parent Company | (11,763,566) | (3,336,527) |
| Items that may be reclassified to profit or loss | | |
| Net exchange difference on translation of financial report of foreign controlled entity | 1,009,782 | (124,552) |
| Total other comprehensive income | 1,009,782 | (124,552) |
| Total comprehensive loss for the year | (10,753,784) | (3,461,079) |
| Basic loss per share (cents per share) | (5.78) | (1.88) |
| Diluted loss per share (cents per share) | (5.78) | (1.88) |

4. Consolidated Statement of Financial Position

| | Notes | Current Period 30 June 2015 \$ | Previous Corresponding Period Restated 30 June 2014 \$ | Previous Corresponding Period Restated 30 June 2013 |
|--------------------------------------|-------|--------------------------------------|--|--|
| Current Assets | | | | |
| Cash and cash equivalents | | 11,621,603 | 4,197,460 | 1,163,231 |
| Trade and other receivables | | 119,277 | 70,975 | 22,566 |
| Other current assets | | 170,430 | 103,660 | 96,404 |
| Total Current Assets | | 11,911,310 | 4,372,095 | 1,282,201 |
| Non-Current Assets | | | | |
| Other financial assets | | 7,834 | 5,402 | 4,483 |
| Property, plant and equipment | | 514,619 | 343,142 | 293,111 |
| Intangible assets | | 184,847 | 361,544 | 327,739 |
| Total Non-Current Assets | | 707,300 | 710,088 | 625,333 |
| Total Assets | | 12,618,610 | 5,082,183 | 1,907,534 |
| Current Liabilities | | | | |
| Trade and other payables | | 638,484 | 189,680 | 128,228 |
| Convertible notes | | - | 598,828 | - |
| Provisions | | 56,613 | 18,749 | 32,986 |
| Derivative liability | | - | 96,450 | - |
| Other – deferred income | | 116,676 | 63,564 | - |
| Total Current Liabilities | | 811,773 | 967,271 | 161,214 |
| Non-Current Liabilities | | | | |
| Convertible notes | | - | 748,726 | 1,208,325 |
| Derivative liability | | - | 321,440 | 888,220 |
| Total Non-Current Liabilities | | - | 1,070,166 | 2,096,545 |
| Total Liabilities | | 811,773 | 2,037,437 | 2,257,759 |
| Net Assets | | 11,806,837 | 3,044,746 | (350,225) |
| Equity | | | | |
| Issued capital | 6 | 41,363,396 | 24,805,339 | 18,082,770 |
| Reserves | 6 | 4,417,082 | 449,482 | 440,553 |
| Accumulated losses | 6,9 | (33,973,641) | (22,210,075) | (18,873,548) |
| Total Equity | | 11,806,837 | 3,044,746 | (350,225) |

5. Consolidated Statement of Cash Flows

| | Current Period 2015 \$ | Previous Corresponding Period Restated 2014 \$ |
|---|------------------------------|--|
| Cash flows from operating activities | | |
| Receipts from customers | 400,834 | 256,056 |
| Payments to suppliers and employees | (4,634,757) | (3,223,846) |
| Interest received | 29,812 | 19,042 |
| Goods & services tax (paid) / received from ATO | 34,656 | 60,826 |
| Net cash used in operating activities | (4,169,455) | (2,887,922) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (95,999) | (83,079) |
| Investments in intangibles | (22,071) | (33,658) |
| Website Development | | |
| Due from other entities (deposit) | (1,090) | (1,093) |
| Net cash flows from investing activities | (119,160) | (117,830) |
| Cash flows from financing activities | | |
| Proceeds from issue of ordinary shares | 10,100,000 | 6,719,975 |
| Proceeds from exercise of options | 1,822,000 | 126,667 |
| Payment of share issue costs | (809,281) | (403,812) |
| Convertible Note interest paid | (99,318) | (208,233) |
| Payment for unmarketable parcel share buy-back | - | (12,446) |
| Net cash flows from financing activities | 11,013,401 | 6,222,151 |
| Net increase / (decrease) in cash held | 6,724,786 | 3,216,399 |
| Cash and cash equivalents at the beginning of the period | 4,197,460 | 1,163,231 |
| Effects of exchange rate changes on cash | 699,357 | (182,170) |
| Cash and cash equivalents at the end of the period | 11,621,603 | 4,197,460 |

6. Consolidated Statement of Changes In Equity

| | Issued Capital | Reserves | Consolidated Accumulated losses | Total |
|---|---------------------------|------------------|--|---------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 24,805,339 | 449,482 | (22,210,075) | 3,044,746 |
| Loss for the year | - | - | (11,763,566) | (11,763,566) |
| Other comprehensive income for the year | | | | |
| Foreign currency translation | - | 1,009,782 | - | 1,009,782 |
| Total comprehensive income for the year | - | 1,009,782 | (11,763,566) | (10,753,784) |
| Transactions with owners in their capacity as owners | | | | |
| Issued capital, net of transaction costs | 15,199,593 | 1,640,317 | - | 16,839,910 |
| Capital reduction | - | - | - | - |
| Share based payment – capital raising costs | (809,281) | - | - | (809,281) |
| Options exercised | 1,822,000 | 2,000 | - | 1,824,000 |
| Share based payment | - | 1,315,501 | - | 1,315,501 |
| Shares issued in lieu of salary | 345,745 | - | - | 345,745 |
| Balance at 30 June 2015 | 41,363,396 | 4,417,082 | (33,973,641) | 11,806,837 |
| Balance at 1 July 2013 as reported in prior period adjustments | Issued Capital | Reserves | Consolidated Accumulated losses | Total |
| Balance as reported | 18,092,756 | 514,749 | (11,930,131) | 6,677,374 |
| Adjustments on correction | (9,986) | (74,196) | (6,943,417) | (7,027,599) |
| Balance as restated | 18,082,770 | 440,553 | (18,873,548) | (350,225) |
| Loss for the year as restated | - | - | (3,336,527) | (3,336,527) |
| Foreign currency translation | - | (124,552) | - | (124,552) |
| Total comprehensive loss for the year | - | (124,552) | (3,336,527) | (3,461,079) |
| Transactions with owners in their capacity as owners | | | | |
| Issued capital, net of transaction costs as restated | 6,883,755 | - | - | 6,883,755 |
| Capital reduction | - | - | - | - |
| Share based payment – capital raising costs | (403,812) | - | - | (403,812) |
| Share buy back of unmarketable parcels. Shares cancelled. | (12,446) | - | - | (12,446) |
| Options exercised | 126,667 | - | - | 126,667 |
| Share-based payments | - | 133,481 | - | 133,481 |
| Shares issued in lieu of salary as restated | 128,405 | - | - | 128,405 |
| Balance at 30 June 2014 as restated | 24,805,339 | 449,482 | (22,210,075) | 3,044,746 |

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

| | |
|--|-----|
| Date dividend is payable | N/A |
| [†] Record date to determine entitlements to the dividend | N/A |
| If it is a final dividend, has it been declared? | N/A |

Amount per security

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

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

| | Current period | Previous Corresponding Period |
|-----------------------|----------------|-------------------------------|
| Ordinary securities | N/A | N/A |
| Preference securities | N/A | N/A |

8. Dividend or distribution plans in operation

| |
|-----|
| N/A |
|-----|

| | |
|--|-----|
| The last date(s) for receipt of election notices for the [†] dividend or distribution plans | N/A |
|--|-----|

9. Consolidated retained profits/accumulated losses

| | Current Period 2015 \$ | Previous Corresponding Period Restated 2014 \$ |
|--|------------------------------|--|
| Accumulated losses at the beginning of the financial period | (22,210,075) | (18,873,548) |
| Losses of prior years offset against capital | - | - |
| Write-off | - | - |
| Transfer from Performance Shares Capital to Accumulated Losses | - | - |
| Net loss attributable to members | (11,763,566) | (3,336,527) |
| Accumulated losses at end of financial period | (33,973,641) | (22,210,075) |

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10. NTA backing

| | Current Period 2015 | Previous Corresponding Period 2014 |
|--|--------------------------------|---|
| Net tangible asset backing (deficiency) per ordinary share | 4.45 cents | 1.33 cents |

13. Prior Period Adjustments

The Company has made prior period adjustments to its financial statements for a transaction originally recognized under the guidance for business combinations that was recognised when the Company obtained control of Alexium Limited and Alexium Marketing Services Limited on 26 February 2010. The Company has adjusted previously stated period balances to recognise the transaction in accordance with IFRS 2.

In addition, the Company has made prior period adjustments to its financial statements related to certain conversion options embedded in the convertible debt. The Company previously treated the conversion options as an equity financial instrument. The adjustment involved recognition of the embedded options as derivative financial liabilities.

The Company also made prior period adjustments to its financial statements related to certain additions to the cost basis of intellectual property. These costs were originally capitalised over the useful life of the asset and should have been expensed in the period incurred. The adjustment involved recognising the transactions in accordance with IAS 38.

The prior period adjustments also includes adjustments made to equity accounts including reclassification between issued capital and equity reserve relating to warrants previously issued and valuation adjustments made on shares issued in lieu of salary.

The accounting impact of the prior period adjustments are outlined as follows:

| | 30 June 2014 | | |
|--|----------------------------|---------------------|----------------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Financial Position (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Intangible assets | 9,052,124 | (8,690,580) | 361,544 |
| Deferred tax liability | (2,580,008) | 2,580,008 | - |
| Convertible notes | (1,566,220) | 218,666 | (1,347,554) |
| Derivative liability | - | (417,890) | (417,890) |
| Issued capital | (24,773,640) | (31,699) | (24,805,339) |
| Accumulated losses | 15,942,775 | 6,267,300 | 22,210,075 |
| Reserve | (523,678) | 74,196 | (449,482) |
| Total equity / net assets | <u>9,354,543</u> | <u>(6,309,797)</u> | <u>3,044,746</u> |

| | 30 June 2014 | | |
|---|---------------------|---------------------|---------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Profit or Loss and Other Comprehensive Income (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Gain (loss) from embedded derivative | - | (457,050) | (457,050) |
| Depreciation and amortisation expense | 787,329 | (680,058) | 107,271 |
| Employee benefits expense | 1,595,755 | 28,405 | 1,624,160 |
| Interest expense | 287,915 | 210,047 | 497,962 |
| Loss before income tax | 4,216,329 | (879,802) | 3,336,527 |
| Income tax benefit | (203,685) | 203,685 | - |
| Loss for the year | 4,012,644 | (676,117) | 3,336,527 |
| Total comprehensive income for the year | 4,137,196 | (676,117) | 3,461,079 |

| | 30 June 2014 | | |
|--|---------------------|---------------------|---------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Cash Flows (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Payments to suppliers and employees | (3,205,902) | (17,944) | (3,223,846) |
| Investments in intangibles | (51,602) | 17,944 | (33,658) |

The net effect on cash flows for the period was nil

| | 30 June 2014 | | |
|---|---------------------|---------------------|---------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Changes in Equity (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Issued capital | 24,773,640 | 31,699 | 24,805,339 |
| Accumulated losses | (15,942,775) | (6,267,300) | (22,210,075) |
| Reserve | 523,678 | (74,196) | 449,482 |
| Total equity / net assets | 9,354,543 | (6,309,797) | 3,044,746 |

| | 30 June 2013 | | |
|--|---------------------|---------------------|---------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Financial Position (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Intangible Assets | 9,679,524 | (9,351,785) | 327,739 |
| Deferred tax liability | 2,783,693 | (2,783,693) | - |
| Convertible notes | 1,637,038 | (428,713) | 1,208,325 |
| Derivative liability | - | 888,220 | 888,220 |
| Issued capital | 18,092,756 | (9,986) | 18,082,770 |
| Accumulated losses | (11,930,131) | (6,943,417) | (18,873,548) |
| Reserve | 514,749 | (74,196) | 440,553 |
| Total equity / net assets | <u>6,677,374</u> | <u>(7,027,599)</u> | <u>(350,225)</u> |

| | 30 June 2013 | | |
|---|---------------------|---------------------|---------------------|
| | Previous Amount | Adjustment | Restated Amount |
| Statement of Changes in Equity (Extract) | \$ DR / (CR) | \$ DR / (CR) | \$ DR / (CR) |
| Issued capital | (18,092,756) | 9,986 | (18,082,770) |
| Accumulated losses | 11,930,131 | 6,943,417 | 18,873,548 |
| Reserve | (514,749) | 74,196 | (440,553) |
| Total equity / net assets | <u>6,677,374</u> | <u>(7,027,599)</u> | <u>(350,225)</u> |

14. Significant information

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

At the end of the reporting period, the Company received a purchase order for \$131,000. This amount was not recorded as revenue during the period due to the Company's revenue recognition policies and accounting procedures. After the reporting period, the Company received \$194,000 in purchase orders for flame retardant (FR) chemistry. Both of these purchase orders will be recognized as revenue during the next fiscal year.

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

IFRS

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16. Commentary on the results for the period

16.1 Earnings per security (EPS)

| | Current Period 2015 | Previous Corresponding Period 2014 |
|------------------------------|--------------------------------|---|
| Basic Loss per share (cents) | (5.78 cents) | (1.88 cents) |

16.2 Returns to shareholders (Including distributions and buy backs)

| | Current Period 2015 \$ | Previous Corresponding Period 2014 \$ |
|--------------------------|---------------------------------------|--|
| Ordinary securities | - | - |
| Preference securities | - | - |
| Other equity instruments | - | - |
| Total | - | - |

The dividend or distribution plans shown below are in operation.

| |
|-----|
| N/A |
|-----|

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

| |
|-----|
| N/A |
|-----|

Any other disclosures in relation to dividends (distributions).

| |
|-----|
| N/A |
|-----|

16.3 Significant features of operating performance

| |
|---|
| The Company continues to experience growth and has seen increase in revenue quarter over quarter for the last three consecutive quarters. |
|---|

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16.4 Segment Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Company has applied IFRS 8 Operating Segments which requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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

16.5 Report on trends in performance

For the period ended 30 June 2015, the company experienced increased cash receipts each consecutive quarter for the final three quarters. Revenue has also increased 59% over last year. Given the customer commitments that the Company has already received in 2016 this trend is expected to continue. The significant increase in net losses relates largely to the adjusting entries made in lieu of the restatement of prior period financials. While expenses did increase during the year, this increase is attributable largely to the growth of the company in areas such as sales & product development staffing increases, research & development costs due to increased customer opportunities, and the implementation of key support roles in the business such as Human Resources and Finance.

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

During the reporting period ended June 30, 2015, the Company launched three patent-protected new chemistries, implemented corporate structure to support growth, adding dedicated Finance and Sales groups, and increased staff by nine members in critical roles across the company to support growth, including our CFO and Vice Presidents of Product Development and Sales. Please refer to Company announcements and the 30 June 2015 Appendix 4C cover letter for additional details.

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

N/A

17. Compliance statement

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

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

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

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

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

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



Sign here: Date: 31 August 2015
(Chief Executive Officer)

Print name: Nicholas Clark

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