



ALEXIUM INTERNATIONAL GROUP LIMITED

ABN 91 064 820 408

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

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COMPANY DIRECTORY

ALEXIUM INTERNATIONAL GROUP LIMITED

DIRECTORS:

Mr Gavin Rezos
Mr Craig Smith-Gander
Mr Nicholas Clark

**COMPANY
SECRETARY:**

Mr Cameron Maitland

**REGISTERED AND
PRINCIPAL OFFICE:**

Level 18 Central Park
152-158 St Georges Tce
Perth WA 6000
Telephone: +61 8 9384 3160
Facsimile: +61 8 6314 1623

AUDITORS:

Stantons International
Level 2, 1 Walker Ave
West Perth WA 6005

SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 2
Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: 1300787575
Facsimile: (08) 9323 2033

BANKERS:

Macquarie Bank
235 St George's Terrace
Perth WA 6000

SOLICITORS:

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

ABN:

91 064 820 408

**DOMICILE AND COUNTRY
OF INCORPORATION:**

Australia

LEGAL FORM OF ENTITY:

Listed Public Company

SECURITY EXCHANGE:

Australian Securities Exchange (Perth) Limited
ASX Code: AJX

Frankfurt Stock Exchange
(ISIN: AU000000AJX6) (WKN A1CTT8) (E7T)

OTCQX : Ticker Code AXXIY

CHAIRMAN'S REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

30 September 2014

Dear Shareholders

I am pleased to present your Company's annual report for 2014 and highlight progress on commercialisation of our environmentally friendly fire retardant (FR) and specialty chemical technologies.

Over the past year we have significantly advanced the Company products base and customers relationships in industry and government, whilst at the same time investing in additional research and commercialisation staff, expanded our facilities, including high sensitivity equipment, whilst maintaining a strong cash balance and strong overhead controls.

We have 2 key areas of focus, both of which have won awards for your Company, namely:

1. Environmentally friendly, cost effective FR products, independently certified for performance, for use with nylon, polyesters and cotton blends in the apparel (defense and work wear sectors), transport upholstery and furnishings sectors; and
2. Reactive Surface Technology (RST) for use in specialty treatments for chemical and biological protection and heat sensitive materials.

There is ongoing development work in the area of FR additives for polymers and plastics for industrial use including building materials and bromine FR replacement technologies. We recently received a grant under the South Carolina Israel R&D Program for a joint project in the FR area with Israel Chemicals Ltd under the auspices of the Office of the Chief Scientist of Israel (MAPITOP) and the SCRA, the South Carolina State Applied Research Corporation.

US Congressman Trey Gowdy's recent visit to our Greer operational headquarters has also demonstrated the interest in our potential to provide safe and cost effective products to US Government Agencies whilst adding to the South Carolina economy and we remain grateful to the SCRA for their recognition and support.

We have commenced chemical sales for production runs in the US, Europe and Middle East/South Asia for our FR nylon and polyester cotton blends. These relationships include one of North America's larger automobile fabric suppliers in the US market, ITextiles with a strong history of production with mills in the Middle East, Pakistan and Sri Lanka and EuroFlam, a specialty finishing company based in the UK. We expect to be able to announce further commercial relationships in the months ahead. Duro LLC is also our North American licensee for our 95% Nylon FR treatment, Ascalon™.

We have continued our strong relationship with the US Department of Defense (DoD) with highlights including trials on our Cleanshell CB® treatment conducted by the US Air Force using live nerve agents, which produced outstanding results for chemical protection. Field trials by the US Marines evidenced that our FR Nycolon treatment has additional quick drying benefits. We have also demonstrated that our Nycolon treatments can withstand 50 Commercial launderings for the defense sector.

CHAIRMAN'S REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

In addition, we have entered into more chemical toll production agreements in the USA to meet future customer needs with an ability to vary production size to meet individual customer timetables. We have obtained necessary regulatory chemical certifications for our products and export permits and are ready logistically to meet customer demands for large chemical supplies of our FR treatments.

Your Company's significant progress this year is due to the efforts of our senior executive team in South Carolina comprising Nick Clark our CEO, Dr Bob Brookins (CTO) and Dr Dirk Van Hyning (Head of Product Development) who have demonstrated strong leadership to our dedicated executives and employees in South Carolina and Australia. Our staff continue to increase productivity and opportunity for your Company and their interests are aligned with shareholders through appropriate risk based performance incentives. I am grateful to see that we have developed a strong performance based culture under Nick Clark's stewardship.

Your Board thanks you for your continued support. We aim to deliver significant revenues in the year ahead and enhance shareholder returns.

Yours Faithfully



Gavin Rezos

Chairman

Alexium International Group Limited

Highlights for the Year include:

- **July 2013**
- Technology breakthrough – Alexium extends flame retardant chemical treatments to polyester blends;
- South Carolina awards grant to accelerate commercialization of FR chemical treatments;
- **August 2013**
- Technical Advisory Board appointed to provide strategic input on product development, intellectual property strategy, and commercialization path;
- Independent laboratory studies certify Ascalon™ FR performance;
- Alexium Nycolon™ establishes 50 wash durability;
- **September 2013**
- Nycolon™ independent production trials;
- **October 2013**
- Testing by US Air Force validates Alexium's Cleanshell™ CB treatment against live chemical warfare agents;
- Nycolon™ FR treatment successfully commences commercial transition to production;

CHAIRMAN'S REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

- **November 2013**
- Halogen-free FR treatment developed for nylon-cotton fabrics;
- Alexium officially launches Nycolon™ and Nuvalon™ FR products for synthetic-cotton fabrics;
- **December 2013**
- Alexium makes first sale of Nycolon™ chemical treatment;
- **January 2014**
- Euroflam agreement for chemical purchase and to introduce Alexium's products as FR treatments on upholstery, home textiles, and contract fabrics;
- Alexium partners with iTextiles®, a regional distributor of premium textile and chemical brands in the Middle East, Pakistan and Sri Lanka;
- **February 2014**
- Placement raises \$3,750,000;
- **March 2014**
- Share Purchase Plan raises \$1,499,975;
- The Marlin Company appointed as a second US toll manufacturer of flame retardant products;
- Alexium Government Solutions introduces FR-treated fabrics to US Marine Corps program – demonstrates that FR treatments on nylon-cotton and polyester-cotton fabrics significantly decreases dry out time;
- Expanding technical facilities and personnel to support customer requests;
- Successful production scale up of proprietary FR product "Alexiflam";
- Alexium FR treatments achieve important fabric performance certifications from independent testing laboratory - Nycolon™ and Nuvalon™ comply with ISO standard 15025 A1, (for the industrial work wear apparel market);
- **April 2014**
- Alexium receives initial iTextiles® sales revenues from first chemical shipment;
- **May 2014**
- Alexium exhibits at Techtextil North America and launches two new products for the furnishings market: Bactron™ and Omnitron™;
- Alexium's Nycolon™ and Nuvalon™ are independently certified to ISO 15025 B – A2 standard, (a key performance standard for the industrial work wear market in Europe);
- **June 2014**
- Alexium's Nycolon™ treatment receives US National 'TechConnect' Innovation Award;
- Alexium technology reviewed at invitation-only industry day for US Army Natick Soldier RD&E Center;
- **July 2014**
- Alexium completes production trials at Euroflam on over forty different customer fabrics;
- **August 2014**
- Alexium awarded grant by the South Carolina/Israel Collaborative Industry R&D Program for collaboration with ICL, Inc.;
- Production trials to be undertaken by a major supplier of vehicle upholstery to the North American car manufacturers market;
- **September 2014**
- US Representative, Congressman Trey Gowdy visits Alexium facilities.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

Your Directors submit their report together with the financial report of Alexium International Group Limited ("the Company") for the year ended 30 June 2014:

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

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, Principal of Viaticus Capital Pty Ltd and is a member of the High Performance Oversight Committee of Rowing Australia, the peak Olympic sports body for rowing in Australia.

Mr Craig Smith-Gander BA (Military), M.Com, Non-executive Director

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.

Mr Nicholas Clark BEc, LLB, MBA, CPA, F FIN, Executive Director and CEO

Mr Clark was appointed to the board on March 18 2013. Mr Clark originally commenced with Alexium International as the Group's CFO and Company Secretary. Mr Clark has extensive experience in executive management, mergers and acquisitions globally. He has held roles such as Deputy Head, Mergers and Acquisitions, Head of Foreign Investments, and Head of Commercial and Contract Services, in particular with CITIC, one of China's largest resource groups.

Directorships of other listed companies during the last 3 years

Name	Company	Commenced	Ceased
Mr Gavin Rezos	Iluka Resources Ltd	20 June 2006	-
	Niuminco Group Limited (formerly DSF International Holdings Limited)	10 November 2008	30 August 2011
Mr Craig Smith-Gander	None	-	-
Mr Nicholas Clark	None	-	-

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

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:

Name	Number of ordinary shares	Number of Performance shares	Number of options over ordinary shares
Mr Gavin Rezos	18,694,866	2,500,000	6,500,000
Mr Craig Smith-Gander	585,166	-	1,500,000
Mr Nicholas Clark	2,099,900	3,000,000	2,000,000

COMPANY SECRETARY

Mr Cameron Maitland *B.Com, CA*, was appointed company secretary on 1 February 2013.

PRINCIPAL ACTIVITY

The principal activities of the entities in the group during the year were developing and licensing its intellectual property known as Reactive Surface Treatment (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 2014 was \$4,012,644 (2013: \$2,599,464).

As at 30 June 2014 the cash position was \$4,197,460 (2013: \$1,163,231) and the Company had 202,025,435 ordinary shares on issue (2013: 149,197,632).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Contributed equity increased by \$6,680,884 (from \$18,092,756 to \$24,773,640) as the result of \$150,500 of convertible notes being converted to shares, options converted to shares of \$126,667 and capital raisings of \$5,220,000 less capital raising costs of \$403,812. There was also \$100,000 of shares issued in lieu of salary and a share purchase plan of \$1,499,975. There was a share buy back of unmarketable parcels of shares for \$12,446.

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.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

UNISSUED SHARES UNDER OPTION

Unissued shares

As at the date of this report there were 19,415,000 unissued ordinary shares under option (2013: 21,290,000). Details of these options are as follows:

Date Options Granted	Expiry Date	Exercise price of shares	Number under option
30 November 2012	31 December 2016	\$0.074	4,000,000
30 July 2010	31 December 2014	\$0.30	2,500,000
21 March 2011	31 December 2015	\$0.15	6,375,000
21 March 2011	31 December 2015	\$0.25	1,000,000
22 June 2011	21 June 2016	\$0.10	540,000
16 September 2011	31 December 2015	\$0.15	5,000,000
			<u>19,415,000</u>

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. 563,337 options were exercised during the financial year at \$0.125 and 375,000 options were exercised at \$0.15 (2013: Nil). 1.5 million options were forfeited during the year (2013: 1.25 million) and 4,436,663 options expired during the year (2013: 7 million). During the year no options were issued (2013: 4,000,000).

The group has 8,600,000 performance rights on issue. The performance rights were granted on 25 November 2013 and were subject to ASX approved performance criteria. The terms and conditions of the performance rights are detailed in Note 15(c).

AFTER BALANCE DATE EVENTS

The Series A convertible notes matured on 30 August 2014 and 7,610,267 shares were issued on conversion of 6,430,000 convertible notes. 750,000 unlisted options exercisable at \$0.18 and expiring on 31 August 2017 were issued in August 2014.

On 21 August 2014 the Company announced that it had received a grant of \$250,000 from the South Carolina/Israel Collaborative Industry R & D programme.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's efforts have focused on specialty chemical solutions for a broad range of military and commercial applications. In addition to enhancements to its patented Reactive Surface Treatment (RST), major developments have been made in Stand-alone specialty chemical solutions for flame retardant applications which provide an environmentally friendly technology that satisfies significant market gaps.

The Group has focused on specific applications where its specialty chemicals solutions can clearly enable new value-added products. The commercial roll-out of existing FR treatments and developing other environmentally-friendly FR solutions represent the largest commercial opportunity for the Group. In this area, the Group has the Ascalon technology (flame retardant treatment for nylon products) and the Nycolon technology (flame retardant treatment for nylon/cotton blends). Therefore, near-term, the Group is focused on extending these existing technologies to quickly address market needs and generate revenues. To this end the Company has made a dedicated approach in the commercial sector in home furnishing upholsteries and the automotive market while continuing its focus on work wear.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES (continued)

This near-term focus is balanced and guided by long-term innovation and business strategies that will address future trends and create future commercial opportunities. The Group's strategy is to expand the development of environmentally-friendly FR alternatives, as topical finishes or polymer additives, and to continue to offer the capability to apply smart surface treatments using organic-inorganic hybrid nano-composite coatings, and low temperature curing solutions.

To demonstrate the desired performance on both laboratory as well as production level product, the Group has maintained an operation in Greer, South Carolina. With this infrastructure and by teaming with development partners, the Group has focused on creating production ready technologies. Via commercial development and license agreements, the Group continued to validate and transition the technology to product manufacturers. Alexium is beginning to grow revenues by entering into collaborative agreements with companies such as iTextiles who have a global presence in the European and Middle East markets.

In addition to the commercial work, the Group has responded to various requests to supply RST treated textiles to the US Department of Defense in support of tenders and technology demonstration projects. This work will continue, particularly in the areas of FR fabrics and CB fabric treatments, understanding that each award is made on a competitive basis and subject to transition periods.

As has been the case in the past, it is expected that the additional development work and extensions and improvements to the existing technology will generate new patent applications, thereby extending patent protection. The Group's research and development efforts into additional areas using the RST technology will continue through the Cooperative Research and Development Agreement with the US Air Force, and are primarily targeted at military programs.

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 period 1 July 2013 to 30 June 2014 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 who are Key Management Personnel of Alexium International Group Limited.

Director and executive details

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

- Mr Gavin Rezos - Executive Chairman
- Mr Craig Smith - Gander – Non Executive Director
- Mr Nicholas Clark - Executive Director and CEO

Other Non-Director Company Executives, during the year were:

- Dr Bob Brookins – Head of Research and Development
- Mr Stefan Susta – VP Sales and Marketing
- Dr Dirk Van Hying – Head of Product Development and Commercial Transition

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Remuneration Policy

The Board recognises 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 9.25% of their fees increasing to 9.5% from 1 July 2014.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

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 Gavin Rezos, Executive Chairman

- Term: the initial term of the Service Agreement was 12 months from 29 March 2010.
- Salary: A salary of US \$100,000 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. On 25 November 2013, shareholders approved the issue of 2.5 million Performance Rights, subject to vesting conditions.
- 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 Nicholas Clark, Executive Director and CEO

- The Board of Alexium has agreed to a set of conditions and a contract is being drawn up by external lawyers.
- Place of Work: South Carolina, United States of America.
- Salary: A salary of AU\$190,000 per year (inclusive of director's fees) plus reasonable relocation costs. On 25 November 2013, shareholders approved the issue of 3 million Performance Rights, subject to vesting conditions.
- Termination: Mr Clark may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Clark or make a payment of 6 months salary in lieu of notice.

Mr Stefan Susta, VP Sales and Marketing

- Term: the initial term of the Service Agreement is 12 months commencing on 1 August 2011 and thereafter on 6 months' notice from either party;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of US\$165,000 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 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Susta or make a payment of 6 months salary in lieu of notice.

Dr Bob Brookins, Head of Research and Development

- Term: the initial term of the Service Agreement is 12 months commencing on 1 August 2011 and thereafter on 6 months' notice from either party;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of US\$120,000 per year.
- Termination: Mr Brookins may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Brookins or make a payment of 6 months salary in lieu of notice.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Dr Dirk Van Hyning, Head of Product Development and Commercial Transition

- Term: the initial term of the Service Agreement is 12 months commencing on 26 April 2013 and thereafter on 6 months' notice from either party;
- Place of Work: South Carolina, United States of America for the term of employment.
- Salary: A salary of US\$112,000 per year.
- Termination: Mr Van Hyning may terminate the Service Agreement without cause upon giving 6 months written notice to the Company. The Company may at its sole discretion terminate the employment without cause by giving 6 months written notice to Mr Van Hyning or make a payment of 6 months salary in lieu of notice.

The following table discloses the remuneration of the Key Management Personnel being the Directors and Executives during the financial year:

2014

	Short-term benefits			Post-employment Super-annuation	Termination Benefits	Share-based payments	Total	Proportion related to performance	Remuneration consisting of options And performance rights
	Salary and fees	Bonus	Other benefits						
	\$	\$	\$		\$	\$	\$	%	%
<u>Directors</u>									
Mr G Rezos ⁽¹⁾	131,887	-	-	925	-	142,395	275,207	-	15
Mr C Smith-Gander	28,125	-	-	2,602	-	3,023	33,750	-	9
Mr N Clark	221,226	-	65,661	-	-	37,315	324,202	-	12
Total Directors	381,238	-	65,661	3,527	-	182,733	633,159		
<u>Executives</u>									
Dr Dirk Van Hyning ⁽²⁾	112,796	-	14,623	-	-	4,975	132,394		4
Mr S Susta	161,162	-	19,015	-	-	18,624	198,801	-	9
Dr B Brookins	132,600	-	16,986	-	-	10,968	160,554	-	7
Total Executives	406,558	-	50,624	-	-	34,567	491,749		
Total Directors and Executives	787,796	-	116,285	3,527	-	217,300	1,124,908		

- (1) Viaticus Capital Pty Ltd, a related party of G Rezos, also received the following:
 - \$11,153 (2013:\$129,669) during the financial year for reimbursement of salary and wages in relation to administration and bookkeeping personnel provided to Alexium by Viaticus of which Mr Rezos is a Director.
- (2) Dr Dirk Van Hyning was appointed on 26 April 2013.

There were no other Executives of the Company which require disclosure.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

2013

	Short-term benefits			Post-employment Super-annuation	Termination Benefits	Share-based payments	Total	Proportion related to performance	Remuneration consisting of options
	Salary and fees	Bonus	Other benefits						
	\$	\$	\$		\$	\$	\$	%	%
<u>Directors</u>									
Mr G Rezos ⁽¹⁾	66,942	-	-	5,400	-	13,675	86,017	-	16
Mr C Smith-Gander	25,625	-	-	2,306	-	5,142	33,073	-	16
Mr N Clark ⁽²⁾	105,000	-	18,941	-	-	100,333	224,274	-	5
Total Directors	197,567	-	18,941	7,706	-	119,150	343,364		
<u>Executives</u>									
Mr J Almond ⁽⁴⁾	78,387	-	-	-	-	(6,941)	71,446	-	-
Mr S Susta ⁽³⁾	153,301	-	13,198	-	-	12,774	179,273	-	7
Dr B Brookins	120,007	-	14,776	-	-	15,275	150,058	-	10
Total Executives	351,695	-	27,974	-	-	21,108	400,777		
Total Directors and Executives	549,262	-	46,915	7,706	-	140,258	744,141		

- (1) Viaticus Capital Pty Ltd, a related party of G Rezos, also received the following:
- \$129,669 (2012:\$121,608) during the financial year for reimbursement of salary and wages in relation to administration and bookkeeping personnel provided to Alexium by Viaticus of which Mr Rezos is a Director.
- (2) Mr Clark was Company Secretary until 1 February 2013. Appointed Chief Executive Officer on 22 January 2013 and Executive Director on 18 March 2013.
- (3) Mr Sustas was Executive Director until 18 March 2013. He resigned as Executive Director but continues to be Chief Operating Officer.
- (4) Mr Almond resigned on 4 February 2013.

There were no other Executives of the Company which require disclosure.

Value of shares, options and performance rights issued to Directors and Executives

The Directors and Executives of the Company were issued with the following share-based remuneration during the year:- Nil ESOP Options (2013: 4 million ESOP Options) with a value of \$Nil (2013: \$64,983) and 778,210 shares (2013:1,500,000) with a value of \$100,000 in lieu of salary (2013: \$90,000). 7,300,000 Performance Rights were issued (2013: Nil) with a value of \$168,630 (2013: Nil).

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Options over equity instruments granted as compensation during the year - audited

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

Name	Number of options granted during 2014	Grant date	Vesting date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2014
<u>Directors</u>							
Mr G Rezos	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Mr C Smith-Gander	-	-	-	-	-	-	-
Mr Nicholas Clark	-	-	-	-	-	-	-
<u>Executives</u>							
Mr D Van Hying	-	-	-	-	-	-	-
Mr B Brookins	-	-	-	-	-	-	-
Mr S Susta	-	-	-	-	-	-	-

No options were issued in 2014

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Analysis of options over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each Key Management Personnel of the Group and each of the three named Company executives and Group executives are detailed below.

Name	Number	Grant date	Exercise Price	% vested in year	% forfeited in year	Financial years in which grant vests
<u>Directors</u>						
Mr G Rezos	2,500,000	30/7/10	\$0.30	-	-	2011
	1,000,000	16/9/11	\$0.15	-	-	2012
	1,000,000	16/9/11	\$0.15	100%	-	2014
	1,000,000	30/11/12	\$0.074	100%	-	2014
	1,000,000	30/11/12	\$0.074	-	-	2015
Mr N Clark	1,000,000	21/3/11	\$0.15	-	-	2011
	1,000,000	21/33/11	\$0.15	-	-	2013
Mr C Smith-Gander	500,000	16/9/11	\$0.15	-	-	2013
	500,000	16/9/11	\$0.15	100%	-	2014
	250,000	30/11/12	\$0.074	100%	-	2014
	250,000	30/11/12	\$0.074	-	-	2015
<u>Executives</u>						
Mr D Van Hying	-	-	-	-	-	-
Mr B Brookins	1,000,000	21/3/11	\$0.15	-	-	2012
	1,000,000	21/3/11	\$0.15	-	-	2013
	1,000,000	21/3/11	\$0.25	100%	-	2014
Mr S Susta	1000,000	16/9/11	\$0.15	-	-	2013
	1,000,000	16/9/11	\$0.15	100%	-	2014
	750,000	30/11/12	\$0.074	100%	-	2014
	750,000	30/11/12	\$0.074	-	-	2015

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Key Management Personnel is detailed below.

Name	Granted in year \$ (A)	Value of options exercised in year \$ (B)	Lapsed in year \$(c)
<u>Directors</u>			
Mr G Rezos	-	-	-
Mr N Clark	-	-	-
Mr C Smith-Gander	-	-	-
<u>Executives</u>			
Mr D Van Hyning	-	-	-
Mr B Brookins	-	-	-
Mr S Susta	-	-	-

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- (B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

Performance rights over equity instruments granted as compensation during the year - audited

Details on performance rights over ordinary shares in the Company that were granted as compensation to each Key Management Personnel during the reporting period and details on performance rights that vested during the reporting period are as follows:

Name	Number of performance rights granted during 2014	Grant date	Vesting date ⁽¹⁾	Fair value per performance right at grant date (\$)	Price payable on vesting per performance right (\$)	Expiry date ⁽²⁾	Number of performance rights vested during 2014
<u>Directors</u>							
Mr G Rezos	2,500,000	25/11/13	31/12/14	\$0.0231	Nil	31/12/14	-
Mr C Smith-Gander	-	-	-	-	-	-	-
Mr Nicholas Clark	3,000,000	25/11/13	31/12/14	\$0.0231	Nil	31/12/14	-
<u>Executives</u>							
Mr D Van Hyning	400,000	25/11/13	31/12/14	\$0.0231	Nil	31/12/14	-
Mr B Brookins	600,000	25/11/13	31/12/14	\$0.0231	Nil	31/12/14	-
Mr S Susta	800,000	25/11/13	31/12/14	\$0.0231	Nil	31/12/14	-

⁽¹⁾ Vesting date assumed by Directors.

⁽²⁾ Expiry date if vesting conditions not met.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

Analysis of performance rights over equity instruments granted as compensation - audited

Details of vesting profiles of the performance rights granted as remuneration to each Key Management Personnel of the Group and each of the three named Company executives and Group executives are detailed below.

Name	Number	Grant date	Price payable on vesting per performance right (\$)	% vested in year	% forfeited in year	Financial years in which grant vests ⁽¹⁾
<u>Directors</u>						
Mr G Rezos	2,500,000	25/11/13	Nil	-	-	2015
Mr N Clark	3,000,000	25/11/13	Nil	-	-	2015
Mr C Smith-Gander	-	-	-	-	-	-
<u>Executives</u>						
Mr D Van Hyning	400,000	25/11/13	Nil	-	-	2015
Mr B Brookins	600,000	25/11/13	Nil	-	-	2015
Mr S Susta	800,000	25/11/13	Nil	-	-	2015

⁽¹⁾ Vesting date assumed by Directors.

Analysis of movements in performance rights - audited

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each Key Management Personnel is detailed below.

Name	Granted in year \$ (A)	Value of performance rights vested in year \$ (B)	Lapsed in year \$ (C)
<u>Directors</u>			
Mr G Rezos	57,750	Nil	-
Mr N Clark	69,300	Nil	-
Mr C Smith-Gander	-	-	-
<u>Executives</u>			
Mr D Van Hyning	9,240	Nil	-
Mr B Brookins	13,860	Nil	-
Mr S Susta	18,480	Nil	-

- (A) The value of performance rights granted in the year is based on the closing share price on 25 November 2013 \$0.165 with a probability discount of 80% and an unlisted status discount of 30% being applied.
- (B) The value of performance rights vested during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were vested.
- (C) The value of the performance rights that lapsed during the year represents the benefit forgone and is calculated at the date the performance rights lapsed.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

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.

2014

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year (expired)	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<u>Directors</u>						
Mr G Rezos	6,500,000	-	-	-	6,500,000	5,500,000
Mr C Smith-Gander	1,500,000	-	-	-	1,500,000	1,250,000
Mr N Clark	2,000,000	-	-	-	2,000,000	2,000,000
Total Directors	10,000,000	-	-	-	10,000,000	8,750,000
<u>Executives</u>						
Mr S Susta	3,500,000	-	-	-	3,500,000	2,750,000
Dr D Van Hying	-	-	-	-	-	-
Dr B Brookins	3,000,000	-	-	-	3,000,000	3,000,000
Total Executives	6,500,000	-	-	-	6,500,000	5,750,000
Total Directors and Executives	16,500,000	-	-	-	16,500,000	14,500,000

2013

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year (expired)	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<u>Directors</u>						
Mr G Rezos	7,150,000	2,000,000	-	(2,650,000)	6,500,000	3,500,000
Mr C Smith-Gander	1,000,000	500,000	-	-	1,500,000	500,000
Mr N Clark ⁽¹⁾	2,000,000	-	-	-	2,000,000	2,000,000
Mr S Susta	2,000,000	1,500,000	-	-	3,500,000	1,000,000
Total Directors	12,150,000	4,000,000	-	(2,650,000)	13,500,000	7,000,000
<u>Executives</u>						
Mr J Almond ⁽²⁾	1,250,000	-	-	(1,250,000)	-	-
Dr B Brookins	3,000,000	-	-	-	3,000,000	2,000,000
Total Executives	4,250,000	-	-	(1,250,000)	3,000,000	2,000,000
Total Directors and Executives	16,400,000	4,000,000	-	(3,900,000)	16,500,000	9,000,000

⁽¹⁾ Balance at date of appointment. Mr Clark was Company Secretary at the beginning of the year. He was appointed as Chief Executive Officer on 22 January 2013 and Executive Director on 18 March 2013.

⁽²⁾ Balance at date of resignation.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (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.

2014

Name	Balance at start of year ORDINARY SHARES	Granted During the Year as Remuneration	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Balance at end of year ORDINARY SHARES
	Number	Number	Number	Number	Number
<u>Directors</u>					
Mr G Rezos	17,305,776	778,210	-	570,880	18,654,866
Mr C Smith-Gander	314,286	-	-	270,880	585,166
Mr N Clark	1,950,000	-	-	149,900	2,099,900
Total Directors	19,570,062	778,210	-	991,660	21,339,932
<u>Executives</u>					
Mr S Susta	-	-	-	-	-
Dr D Van Hynning	-	-	-	-	-
Dr B Brookins	-	-	-	-	-
Total Executives	-	-	-	-	-
Total Directors and Executives	19,570,062	778,210	-	991,660	21,339,932

2013

Name	Balance at start of year ORDINARY SHARES	Granted During the Year as Remuneration	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Balance at end of year ORDINARY SHARES
	Number	Number	Number	Number	Number
<u>Directors</u>					
Mr G Rezos	14,090,776	-	-	3,215,000	17,305,776
Mr C Smith-Gander	114,286	-	-	200,000	314,286
Mr N Clark ⁽¹⁾	-	1,500,000	-	450,000	1,950,000
Mr S Susta	-	-	-	-	-
Total Directors	14,205,062	1,500,000	-	3,865,000	19,570,062
<u>Executives</u>					
Mr J Almond ⁽²⁾	14,513,000	-	-	-	14,513,000
Dr B Brookins	-	-	-	-	-
Mr N Clark	-	-	-	-	-
Mr H Alkis	-	-	-	-	-
Total Executives	14,513,000	-	-	-	14,513,000
Total Directors and Executives	28,718,062	1,500,000	-	3,865,000	34,083,062

⁽¹⁾ Balance at date of appointment. Mr Clark was CFO and Company Secretary at the beginning of the year. He was appointed as Chief Executive Officer on 22 January 2013 and Executive Director on 18 March 2013.

⁽²⁾ Balance at date of resignation.

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

REMUNERATION REPORT (AUDITED) (continued)

(iii) *Performance rights holdings*

The number of performance rights 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. 7,300,000 performance rights were granted during the reporting year as compensation (2013: Nil).

2014

Name	Balance at start of year PERFORMANCE SHARES	Granted During the Year as Remuneration	Other changes during year PERFORMANCE SHARES	Balance at end of year PERFORMANCE SHARES
	Number	Number	Number	Number
<u>Directors</u>				
Mr G Rezos	-	2,500,000	-	2,500,000
Mr C Smith-Gander	-	-	-	-
Mr N Clark	-	3,000,000	-	3,000,000
Total Directors	-	5,500,000	-	5,500,000
<u>Executives</u>				
Mr S Susta	-	800,000	-	800,000
Dr B Brookins	-	600,000	-	600,000
Dr D Van Hying	-	400,000	-	400,000
Total Executives	-	1,800,000	-	1,800,000
Total Directors and Executives	-	7,300,000	-	7,300,000

DIRECTORS' MEETINGS

The number of formal Directors' meetings held and number of such formal 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	4	4	1	5
Craig Smith-Gander	4	4	1	5
Nicholas Clark	4	4	1	5

Dates of Formal Board Meetings and Circulating Resolutions. Note: Directors attend strategy, continuous disclosure and staff review meetings regularly during the year but these numerous meetings have not been recorded as formal Board meetings.

Board Meetings	Circular Resolutions
24 February 2014 24 April 2014 9 May 2014 18 June 2014	23 July 2013

DIRECTORS' REPORT

ALEXIUM INTERNATIONAL GROUP LIMITED

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.

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 auditor, Stantons International.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 27 of the financial report.

Dated this 30th day of September 2014.

Signed in accordance with a resolution of the directors.



Gavin Rezos
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

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 Gavin Rezos Executive Chairman	Not independent due to being a substantial shareholder and employed in an executive capacity.
Mr Nicholas Clark Executive Director and CEO	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.

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.

CORPORATE GOVERNANCE STATEMENT

ALEXIUM INTERNATIONAL GROUP LIMITED

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.

Securities Trading by Directors and Employees

The Company adopted a Share Trading Policy on 23 December 2010. The policy summarises the law relating to insider trading and sets out the policy of the Company on Directors, officers, employees and consultants dealing in securities of the Company. This policy is provided to all Directors and employees and compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Gender Diversity Policy

The Company does not currently have a Gender Diversity policy in place and is therefore not in compliance with recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations during the financial year. The Company does not consider it appropriate to have such a policy at this stage of the Company's development. The Board will continue to review the development of the Company and will adopt a Gender Diversity Policy at the appropriate time.

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;

CORPORATE GOVERNANCE STATEMENT

ALEXIUM INTERNATIONAL GROUP LIMITED

- (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; and
- (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.

CORPORATE GOVERNANCE STATEMENT

ALEXIUM INTERNATIONAL GROUP LIMITED

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 Executives. The Company does not have any schemes for retirement benefits, other than statutory superannuation.

For personal use only

30 September 2014

Board of Directors
Alexium International Group Limited
Level 18 Central Park,
152-158 St Georges Tce
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 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

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



John P Van Dieren - FCA
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

		Consolidated Group	
		2014	2013
	Note	\$	\$
Revenue from continuing operations	3	242,465	365,380
Cost of goods sold		(77,924)	(158,187)
Employee benefits expense		(1,362,274)	(948,074)
Depreciation and amortisation		(787,329)	(838,143)
Research and development		(713,537)	-
Interest and amortisation of cost of raising convertible notes		(287,915)	(194,543)
Share-based payments	16(d)	(233,481)	(156,084)
Other expenses	4	(1,015,376)	(995,376)
Net operating loss for the year		(4,235,371)	(2,925,027)
Finance income	3	19,042	29,799
Loss before income tax		(4,216,329)	(2,895,228)
Income tax credit (Research and Development Rebate)		-	92,079
Income tax (expense)/benefit	6	203,685	203,685
Loss for the year		(4,012,644)	(2,599,464)
Other comprehensive income, net of income tax.			
Items that may be reclassified to profit or loss.			
- Exchange differences on translation of foreign operations		(124,552)	76,959
Items that will not be reclassified to profit or loss		-	-
Total comprehensive loss for the year		(4,137,196)	(2,522,505)
Loss for the year attributable to members of the group		(4,012,644)	(2,599,464)
Total comprehensive loss for the year attributable to members of the group		(4,137,196)	(2,522,505)
Basic loss per share (cents)	7	(2.26)	(1.82)
Diluted loss per share (cents)	7	(2.26)	(1.82)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014
ALEXIUM INTERNATIONAL GROUP LIMITED

		Consolidated Group	
		2014	2013
	Note	\$	\$
Current Assets			
Cash and cash equivalents	19(a)	4,197,460	1,163,231
Trade and other receivables	8	70,975	22,566
Other assets	9	103,661	96,404
Total Current Assets		4,372,096	1,282,201
Non-Current Assets			
Other financial assets		5,402	4,483
Property, plant and equipment	10	343,142	293,111
Intangible assets	11	9,052,124	9,679,524
Total Non-Current Assets		9,400,668	9,977,118
Total Assets		13,772,764	11,259,319
Current Liabilities			
Trade and other payables	12	189,680	128,228
Provisions		18,749	32,986
Convertible Notes	14	636,181	-
Other - deferred income	13	63,564	-
Total Current Liabilities		908,174	161,214
Non-Current Liabilities			
Convertible Notes	14	930,039	1,637,038
Deferred tax liability	6(b)	2,580,008	2,783,693
Total Non-Current Liabilities		3,510,047	4,420,731
Total Liabilities		4,418,221	4,581,945
Net Assets		9,354,543	6,677,374
Equity			
Contributed equity	15	24,773,640	18,092,756
Reserves	17	523,678	514,749
Accumulated losses	18	(15,942,775)	(11,930,131)
Total Equity		9,354,543	6,677,374

This consolidated 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 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2013	18,092,756	514,749	(11,930,131)	6,677,374
Loss for the year	-	-	(4,012,644)	(4,012,644)
Foreign currency translation	-	(124,552)	-	(124,552)
Total comprehensive loss for the year	-	(124,552)	(4,012,644)	(4,137,196)
Transactions with owners in their capacity as owners:				
Issued capital	6,870,475	-	-	6,870,475
Capital raising costs	(403,812)	-	-	(403,812)
Share buy back of unmarketable parcels	(12,446)	-	-	(12,446)
Options exercised	126,667	-	-	126,667
Share-based payment	-	133,481	-	133,481
Shares issued in lieu of salary	100,000	-	-	100,000
Balance at 30 June 2014	24,773,640	523,678	(15,942,775)	9,354,543

	Contributed equity	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2012	19,701,756	302,511	(11,430,615)	8,573,652
Loss for the year	(52)	-	(2,599,464)	(2,599,516)
Foreign currency translation	-	76,959	-	76,959
Total comprehensive loss for the year	(52)	76,959	(2,599,464)	(2,522,557)
Transactions with owners in their capacity as owners:				
Issued capital net of transaction costs	402,000	-	-	402,000
Share based payment capital raising costs	(6,000)	-	-	(6,000)
Performance Shares cancelled as performance milestones not met-transferred to accumulated losses	(2,099,948)		2,099,948	-
Convertible note equity component	-	74,196	-	74,196
Options exercised	-	-	-	-
Share-based payment	5,000	61,083	-	66,083
Shares issued in lieu of salary	90,000	-	-	90,000
Balance at 30 June 2013	18,092,756	514,749	(11,930,131)	6,677,374

This consolidated 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 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

		Consolidated Group	
		2014	2013
	Note	\$	\$
Cash flow from operating activities			
Receipts from customers		256,056	314,700
Other Income		-	93,329
Payments to suppliers and employees		(3,205,902)	(2,081,088)
Interest received		19,042	29,799
Goods & services tax (paid)/received from ATO		60,826	51,631
Net cash flows (used in) operating activities	19(b)	(2,869,978)	(1,591,629)
Cash flows from investing activities			
Increase in intangibles		(51,602)	(22,525)
Purchase of property, plant and equipment		(83,079)	(60,277)
Deposits paid		(1,093)	-
Net cash flows (used in) investing activities		(135,774)	(82,802)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		6,846,642	-
Payment of share issue costs		(403,812)	(6,000)
Convertible notes		-	2,200,000
Costs of convertible note raised		-	(157,326)
Convertible notes interest paid		(208,233)	(123,984)
Payment for unmarketable parcel share buy back		(12,446)	-
Net cash flows from financing activities		6,222,151	1,912,690
Net increase in cash and cash equivalents		3,216,399	238,259
Cash and cash equivalents at beginning of year		1,163,231	906,658
Effect of exchange rate changes on cash and cash equivalents		(182,170)	18,314
Cash and cash equivalents at end of year	19(a)	4,197,460	1,163,231

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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. Alexium commenced trading on the OTC markets prestigious tier, OTCQX International on January 13 2012. 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 2014 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 are based on historical costs modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. 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) New standards and interpretations Adopted in 2013/14 FY

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 11: *Joint Arrangements*;
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 13: *Fair Value Measurement*;
- AASB 119: *Employee Benefits*; and
- AASB 127: *Separate Financial Statements*

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

Account Standard and Interpretation

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

2. Summary of Significant Accounting Policies (continued)

(b) New Standards and Interpretations Adopted in 2013/14FY (continued)

▪ *Other standards not yet applicable*

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

(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. 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. A list of the subsidiaries is provided in Note 21.

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

2. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation (continued)

comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(d) Foreign currency translation

The functional and presentation currency of Alexium International Group Limited 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 profit or loss.

(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.

(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

2. Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment (continued)

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. 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 profit or loss as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the consolidated statement of profit or loss and other 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

2. Summary of Significant Accounting Policies (continued)

(f) Intangible assets (continued)

(see accounting policy (g)). Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(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 profit or loss 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.

2. Summary of Significant Accounting Policies (continued)

(g) Impairment of assets (continued)

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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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 profit or loss.

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.

2. Summary of Significant Accounting Policies (continued)

(o) Provisions (continued)

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 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.

2. Summary of Significant Accounting Policies (continued)

(r) Income tax and other taxes (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

(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.

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.

(u) Employee benefits

(i) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

2. Summary of Significant Accounting Policies (continued)

(u) Employee benefits (continued)

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(w) Government Grants

Alexium Inc entered into a capital equipment lease from South Carolina Research Authority (SCRA) in the form of a grant. The grant is recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

3. REVENUE

	Consolidated Group	
	2014	2013
	\$	\$
Sales	242,465	298,812
Other income	-	66,568
	<u>242,465</u>	<u>365,380</u>
Interest received - other persons	<u>19,042</u>	<u>29,799</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

4. OTHER EXPENSES

	Consolidated Group	
	2014	2013
	\$	\$
Minimum lease payments relating to operating leases	60,743	46,365

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	
	2014	2013
	\$	\$
(a) Stantons International (Australia)		
Audit and review of financial reports	44,191	29,727
(b) Elliott Davis (USA)		
Audit of Alexium Inc financial report	19,717	12,256
	<u>63,908</u>	<u>41,983</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

6. TAXATION

(a) Income tax recognised in profit and loss

	2014	2013
	\$	\$
Prima facie tax on operating loss before income tax at 30%	(1,264,899)	(868,568)
Tax effect of permanent and temporary differences not booked	293,108	160,251
Tax losses not brought to account	768,106	504,632
Income tax benefit attributable to reversal of deferred tax liability on intangible assets	<u>(203,685)</u>	<u>(203,685)</u>

(b) Deferred tax liabilities

Deferred tax liabilities at 30 June brought to account:

Intangible assets	<u>2,580,008</u>	<u>2,783,693</u>
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(c) Deferred tax assets

Deferred tax assets at 30 June not brought to account:

Employee benefits	5,625	9,896
Other	-	-
Income tax losses	<u>3,225,487</u>	<u>2,457,381</u>
	<u>3,231,112</u>	<u>2,467,277</u>

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 \$10,858,290 (2013: \$7,666,744) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

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.

	Consolidated 2014 Number	Consolidated 2013 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	177,533,628	142,594,209
	\$	\$
Basic loss	(4,012,644)	(2,599,464)

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 2014 Number of securities	Consolidated 2013 Number of securities
Options over ordinary shares	19,415,000	26,290,000
Convertible Notes	16,475,000	17,980,000
Performance Rights	8,600,000	-
	44,490,000	44,270,000

The group has incurred a loss for the year. The diluted earnings per share is therefore disclosed as the same as the basic earnings per share.

8. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2014	2013
	\$	\$
Current		
Trade debtors	64,738	13,853
Other receivables	6,237	8,713
	70,975	22,566

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

9. OTHER ASSETS

	Consolidated Group	
	2014	2013
	\$	\$
Current		
Prepayments	103,661	96,404

10. PROPERTY, PLANT & EQUIPMENT

	Consolidated Group	
	2014	2013
	\$	\$
Furniture and Equipment		
Cost	519,198	441,868
Accumulated depreciation	(216,124)	(148,757)
Net book value	303,074	293,111
Leased assets		
Cost	255,591	218,678
Accumulated depreciation	(215,523)	(218,678)
Net book value	40,068	-
Total property, plant and equipment	343,142	293,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

10. PROPERTY, PLANT & EQUIPMENT (continued)

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	
	2014	2013
	\$	\$
Furniture & equipment		
Balance at the beginning of year	293,111	275,489
Foreign exchange movements	(6,832)	20,670
Additions at cost	83,079	60,277
Amortisation / Depreciation expense	(66,284)	(63,325)
	<u>303,074</u>	<u>293,111</u>

	Consolidated Group	
	2014	2013
	\$	\$
Leased assets		
Balance at the beginning of year	-	65,609
Foreign exchange movements	(1,305)	(244)
Additions at cost	45,134	-
Amortisation / Depreciation expense	(3,761)	(65,365)
	<u>40,068</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

11. INTANGIBLE ASSETS

	Consolidated Group	
	2014	2013
	\$	\$
Patents and intellectual property		
Cost	12,138,555	12,045,067
Accumulated amortisation	(3,086,431)	(2,365,543)
Net carrying value	<u>9,052,124</u>	<u>9,679,524</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	
	2014	2013
	\$	\$
Balance at the beginning of year	9,679,524	10,332,142
Additions at cost	51,602	22,525
Foreign exchange movements	38,282	34,310
Amortisation expense	(717,284)	(709,453)
	<u>9,052,124</u>	<u>9,679,524</u>

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the consolidated statement of profit or loss and other 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(f) 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	
	2014	2013
	\$	\$
Current		
Trade creditors	71,883	53,258
Other creditors	<u>117,797</u>	<u>74,970</u>
	<u>189,680</u>	<u>128,228</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

12. TRADE AND OTHER PAYABLES (continued)

Trade and other payable 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	
	2014	2013
	\$	\$
Current - deferred income	63,564	-

The deferred income is in respect of licence fees covering future periods.

14. CONVERTIBLE NOTES

In September 2012, the Company placed a total of 11 million convertible notes with a face value of 10 cents per note to raise AUD \$1.1 million (before costs) to Sophisticated and Professional Investors. In April 2013 the Company placed a total of 11 million convertible notes with a face value of 10 cents per note to raise AUD \$1.1 million (before costs) to Sophisticated and Professional Investors. During the year 550,000 shares (2013: 7,737,983) were issued at a price of \$0.10 each on conversion of 550,000 (2013: 4,020,000) A series convertible notes and 955,000 shares (2013: Nil) were issued at a price of \$0.10 each on conversion of 955,000 (2013: Nil) B series convertible notes.

The movement in number of convertible notes is given hereunder:

	Balance at beginning of the year	Issued during the Year	Converted to Equity during the Year	Balance at the end of the year
A Series Convertible Notes	6,980,000	-	(550,000)	6,430,000
B Series Convertible Notes	11,000,000	-	(955,000)	10,045,000

	30 June 2014			30 June 2013		
	A Series \$	B Series \$	Total \$	A Series \$	B Series \$	Total \$
Balance at the beginning of the period	654,078	982,960	1,637,038	-	-	-
Placement of notes	-	-	-	1,100,000	1,100,000	2,200,000
Adjustment to equity	-	-	-	(30,264)	(43,932)	(74,196)
Unwinding of finance costs	123,212	164,703	287,915	166,077	28,466	194,543
Interest paid at coupon rate	(86,109)	(122,124)	(208,233)	(101,200)	(22,783)	(123,983)
Conversion during the year	(55,000)	(95,500)	(150,500)	(402,000)	-	(402,000)
Issue costs	-	-	-	(78,535)	(78,791)	(157,326)
Balance at the end of the year	636,181	930,039	1,566,220	654,078	982,960	1,637,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

14. CONVERTIBLE NOTES (continued)

The Terms and conditions of A Series and B Series Convertible Note are as under:

Convertible Notes – A Series

- A maturity date of 30 August 2014.
- Coupon rate of 13% per annum with interest paid quarterly in arrears.
- Convertible notes are unlisted and unsecured and are convertible to fully paid ordinary shares.
- Conversion price is lesser of:
 - \$0.10 per share
 - OR;
 - 87.5% of the previous 30 day volume weighted average price for the Company's ordinary shares
 - OR;
 - In the event of a future issue of ordinary shares during the term, the price of issue of such fully paid ordinary shares.
- The note holder may elect to convert the convertible notes at any time after 90 days from the Allotment Date until the Maturity Date.

Convertible Notes – B Series

- A maturity date of 30 March 2016.
- Coupon rate of 12% per annum with interest paid quarterly in arrears.
- Convertible notes are unlisted and unsecured and are convertible to fully paid ordinary shares.
- Conversion price is lesser of:
 - \$0.10 per share
 - OR;
 - 87.5% of the previous 30 day volume weighted average price for the Company's ordinary shares
 - OR;
 - In the event of a future issue of ordinary shares during the term, the price of issue of such fully paid ordinary shares.
- The note holder may elect to convert the convertible notes at any time after 90 days from the Allotment Date until the Maturity Date.

15. CONTRIBUTED EQUITY

(a) Issued Capital

	Consolidated Group	
	2014	2013
	\$	\$
202,025,435 (2013: 149,197,632) Ordinary shares fully paid	24,773,640	18,092,756
Total issued capital	24,773,640	18,092,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

15. CONTRIBUTED EQUITY (continued)

(b) Movements in share capital

	2014	2014	2013	2013
	Number	\$	Number	\$
Balance of ordinary shares at beginning of year	149,197,632	18,092,756	139,888,221	17,601,756
Shares issued, net of costs*	52,827,803	6,680,884	9,309,411	491,000
Balance of ordinary shares at end of year	202,025,435	24,773,640	149,197,632	18,092,756

* \$150,500 of convertible notes were converted to shares (\$55,000 Series A and \$95,500 Series B), \$126,667 of options were converted to shares and there was capital raising of \$5,220,000 less capital raising costs of \$403,812. There was also \$100,000 of shares issued in lieu of salary to Gavin Rezos and a share purchase plan of \$1,499,975. There was a share buy back of unmarketable parcels of shares for \$12,446.

(c) Movements in Performance Rights

	2014	2014	2013	2013
	Number	\$	Number	\$
Balance of performance rights at beginning of year	-	-	-	-
Rights issued, net of costs**	8,600,000	198,660	-	-
Balance of performance rights at end of year	8,600,000	198,660	-	-

** The underlying value of an Alexium share trading on ASX on 25 November 2013 was \$0.165, this has been used as an underlying value of a performance right in Alexium. The 8,600,000 discounted performance rights in Alexium issued to Directors and employees has an underlying value of \$198,660 based on the closing share price on 25 November 2013 of \$0.165.

As announced on the 25th November 2013, Alexium issued 8,600,000 performance rights; 5,500,000 issued to Directors and 3,100,000 issued to employees. The performance rights were issued for nil consideration.

In order to vest, milestone 1 and any of the other milestones will need to be achieved by 31 December 2014.

(i) Share Price Appreciation

The price of Shares as traded on ASX must exceed \$0.186325 over a 10 day volume weighted average price during the Period, being a 45% premium to the average closing price of Shares on ASX in the 10 trading days immediately prior to the date of the 2013 AGM of \$0.1285.

(ii) Revenue of not less than \$3.0m for the Period

The Company must achieve at least \$3.0m in revenues during the Period.

(iii) 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.

(iv) Entering into an Additional Licences

The Company must enter into one or more additional licences on its FR products in addition to its current licence to Duro LLC with large national companies for licenses geographically restricted to national or regional areas or multinational companies for multi-jurisdictional licences during the Period.

(v) Entering into Joint Ventures

The Company must enter into a new joint venture for the development of its products outside textile finishing, with a recognised leader in the field, the subject of the joint venture, during the Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

15. CONTRIBUTED EQUITY (continued)

(c) Movements in performance rights (continued)

(vi) 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.

(vii) NASDAQ 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 NASDAQ Securities Exchange or equivalent US Securities Exchange for technology companies of similar standing, during the Period.

(viii) 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.

(d) Share options issued

At the year end there were Nil free attaching options outstanding (2013: 5,000,000) and 19,415,000 share based payment options outstanding (2013: 21,290,000). Refer to Note 16 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	Forfeited/ Expired during the year Number	Balance at end of year Number
2014 year								
Unlisted options	30/07/10	\$0.30	31/12/14	2,500,000	-	-	-	2,500,000
Unlisted options	21/03/11	\$0.15	31/12/15	750,000	-	-	(750,000)	-
Unlisted options	21/03/11	\$0.15	31/12/15	6,750,000	-	(375,000)	-	6,375,000
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	21/06/16	540,000	-	-	-	540,000
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	-	-	5,000,000
Unlisted options	22/02/12	\$0.125	22/08/13	5,000,000	-	(563,337)	(4,436,663)	-
Unlisted options	30/11/12	\$0.074	31/12/16	4,000,000	-	-	-	4,000,000
				<u>26,290,000</u>	<u>-</u>	<u>(938,337)</u>	<u>(5,936,663)</u>	<u>19,415,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

15. CONTRIBUTED EQUITY (continued)

(e) Movements in share options (continued)

	Grant date	Exercise Price	Expiry date	Balance at beginning of year	Granted during the year	Exercised during the year	Lapsed/ Expired during the year	Balance at end of year
				Number	Number	Number	Number	Number
2013 year								
Unlisted options	19/06/08	\$0.10	31/12/12	7,000,000	-	-	(7,000,000)	-
Unlisted options	26/02/10	\$0.50	26/02/14	1,250,000	-	-	(1,250,000)	-
Unlisted options	30/07/10	\$0.30	31/12/14	2,500,000	-	-	-	2,500,000
Unlisted options	21/03/11	\$0.15	31/12/15	750,000	-	-	-	750,000
Unlisted options	21/03/11	\$0.15	31/12/15	6,750,000	-	-	-	6,750,000
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	21/06/16	540,000	-	-	-	540,000
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	-	-	5,000,000
Unlisted options	22/02/12	\$0.125	22/08/13	5,000,000	-	-	-	5,000,000
Unlisted options	30/11/12	\$0.074	31/12/16	-	4,000,000	-	-	4,000,000
				30,540,000	4,000,000	-	(8,250,000)	26,290,000

4,436,663 options expired during the current year (2013: 7,000,000).

1,500,000 options were forfeited during the current year due to resignation of a staff member (2013: 1,250,000).

375,000 share based payment options were exercised during the current year (2013: Nil).

563,337 options were exercised during the current year (2013: Nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

16. SHARE-BASED PAYMENTS

(a) Shares

	2014	2014	2014
	Number	Value per Share	
		\$	\$
Share-based payments issued during the year for services received	-	-	-
Share-based payments issued during the year for payment in lieu of salary	778,210	0.1285	100,000
Total	778,210		100,000

	2013	2013	2013
	Number	Value per Share	
		\$	\$
Share-based payments issued during the year for services received	71,428	0.07	5,000
Share-based payments issued during the year for payment in lieu of salary	1,500,000	0.06	90,000
Total	1,571,428		95,000

(b) Performance rights

	2014	2014	2014
	Number	Value per Share	
		\$	\$
Share-based payments issued during the year	8,600,000	0.0231	198,660
Total	8,600,000		198,660

The Company agreed and approved at the 25 November 2013 AGM to issue a total of 8,600,000 performance rights to Directors and employees. The terms and conditions of the performance rights are detailed in the Notice of General Meeting dated 25 November 2013. The performance rights were issued for nil consideration.

The underlying value of an Alexium share trading on ASX on 25 November 2013 was \$0.165, this has been used as an underlying value of a performance right in Alexium. The 8,600,000 discounted performance rights in Alexium issued to Directors and employees has an underlying value of \$198,660 based on the closing share price on 25 November 2013 of \$0.165 and with a probability discount of 80% and an unlisted status discount of 30% has been applied. Only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

16. SHARE-BASED PAYMENTS (continued)

(b) Performance rights (continued)

\$106,971 was expensed during the year as the vesting period ends 31 December 2014. There were no share based payment performance rights issued in 2013.

(c) Options

	2014	2014
	Number	\$
Share-based payments (reversed)/expensed during the year for:		
- options vested, forfeited	1,500,000	-
	<u>1,500,000</u>	<u>-</u>
Share-based payments expensed during the year for:		
- ESOP 2011	-	3,515
- ESOP 2012	-	1,987
- ESOP 2013	-	21,008
	-	<u>26,510</u>
Total	<u>1,500,000</u>	<u>26,510</u>
Pro-rata over vesting period.		

	2013	2013
	Number	\$
Share-based payments (reversed)/expensed during the year for:		
- services rendered	-	1,487
- options not yet vested, forfeited	1,250,000	(8,428)
	<u>1,250,000</u>	<u>(6,941)</u>

* Issue 26 February 2010 in respect of the acquisition of Alexium Limited however pro-rata over period of performance period.

Share-based payments expensed during the year for:		
- ESOP 2011	-	36,433
- ESOP 2012	-	11,679
- ESOP 2013	-	19,913
	-	<u>68,025</u>
Total	<u>1,250,000</u>	<u>61,084</u>
Pro-rata over vesting period		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

16. SHARE-BASED PAYMENTS (continued)

(d) Shares, options and performance rights

	2014	2013
	\$	\$
Share based payments in shares 16 (a)	100,000	95,000
Share based payments in performance rights 16 (b)	106,971	-
Share based payments in options 16 (c)	26,510	61,084
Totals	<u>233,481</u>	<u>156,084</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

16. 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	Other changes during the year (Forfeited)	Balance at end of year	Vested and exercisable at the end of period
				Number	Number	Number	Number	Number	Number
2014 year									
Unlisted options	30/07/10	\$0.30	31/12/14	2,500,000	-	-	-	2,500,000	2,500,000
Unlisted options	21/03/11	\$0.15	31/12/15	7,500,000	-	(375,000)	(750,000)	6,375,000	6,375,000
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	1,000,000
Unlisted options	22/06/11	\$0.10	21/06/16	540,000	-	-	-	540,000	540,000
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	-	-	5,000,000	5,000,000
Unlisted options	30/11/12	\$0.074	31/12/16	4,000,000	-	-	-	4,000,000	2,000,000
				21,290,000	-	(375,000)	(1,500,000)	19,415,000	17,415,000
Weighted average exercise price (\$)				0.16				0.16	0.17

	Grant date	Exercise Price	Expiry date	Balance at beginning of year	Granted during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at the end of period
				Number	Number	Number	Number	Number	Number
2013 year									
Unlisted options	26/02/10	\$0.50	26/02/14	1,250,000	-	-	(1,250,000)	-	-
Unlisted options	30/07/10	\$0.30	31/12/14	2,500,000	-	-	-	2,500,000	2,500,000
Unlisted options	21/03/11	\$0.15	31/12/15	7,500,000	-	-	-	7,500,000	7,375,000
Unlisted options	21/03/11	\$0.20	31/12/15	750,000	-	-	-	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	21/06/16	540,000	-	-	-	540,000	540,000
Unlisted options	21/09/11	\$0.15	31/12/15	5,000,000	-	-	-	5,000,000	2,500,000
Unlisted options	30/11/12	\$0.074	31/12/16	-	4,000,000	-	-	4,000,000	-
				18,540,000	4,000,000	-	(1,250,000)	21,290,000	13,665,000
Weighted average exercise price (\$)				0.20	0.074			0.16	0.18

The above tables are for share based payment options issued for services rendered or under ESOP.

375,000 share based payment options were exercised during the current year (2013: Nil).
1,500,000 options were forfeited during the current year due to resignation of a staff member (2013: 1,250,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

16. SHARE-BASED PAYMENTS (continued)

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.60 years (2013: 2.59 years), and the exercise prices range from 7.4 cents to 30 cents. (2013: 7.4 cents to 30 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. No options were issued in 2014.

Issued 2013	OPTION SERIES
Expiry date	31/12/16
Dividend yield (%)	-
Expected volatility (%)	40
Risk-free interest rate (%)	2.79
Expected life of options (years)	4.09
Underlying share price (\$)	0.059
Option exercise price (\$)	0.0738
Value of Option (\$)	0.011428

17. RESERVES

	Consolidated Group	
	2014	2013
	\$	\$
Convertible Note-Equity Component	74,196	74,196
Option premium reserve	603,038	576,528
Performance Rights reserve	106,971	-
Foreign currency translation reserve	(260,527)	(135,975)
Balance at end of year	523,678	514,749

Convertible Note – Equity Component

The fair value of the Convertible Notes is determined by estimating the effective interest rate to determine the equity proportion of the note as detailed in Note 14.

	Consolidated Group	
	2014	2013
	\$	\$
Balance at beginning of year	74,196	-
Equity Component – Convertible Note A Series	-	30,264
Equity Component – Convertible Note B Series	-	43,932
Balance at end of year	74,196	74,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

17. RESERVES (continued)

Option premium reserve

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

	Consolidated Group	
	2014	2013
	\$	\$
Balance at beginning of year	576,528	515,444
Share-based payment expense (Note 16(c))	26,510	61,084
Balance at end of year	<u>603,038</u>	<u>576,528</u>

Performance rights reserve

	Consolidated Group	
	2014	2013
	\$	\$
Balance at beginning of year	-	-
Performance rights expense	106,971	-
Balance at end of year	<u>106,971</u>	<u>-</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 2 (d). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated Group	
	2014	2013
	\$	\$
Balance at beginning of year	(135,975)	(212,934)
Foreign currency translation differences arising during the year	(124,552)	76,959
Balance at end of year	<u>(260,527)</u>	<u>(135,975)</u>

18. ACCUMULATED LOSSES

	Consolidated Group	
	2014	2013
	\$	\$
Balance at beginning of year	(11,930,131)	(11,430,615)
Transfer from share capital to accumulated losses	-	2,099,948
Net loss attributable for the year	(4,012,644)	(2,599,464)
Balance at end of year	<u>(15,942,775)</u>	<u>(11,930,131)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

19. 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	
	2014	2013
	\$	\$
Cash on hand	4,197,460	1,163,231

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	
	2014	2013
	\$	\$
Operating profit/(loss) after income tax	(4,012,644)	(2,599,464)
Non-cash items		
Depreciation and amortisation of non-current assets	787,329	838,143
Provision for Doubtful Debt	-	65,234
Share-based payment	233,481	156,084
Unrealised foreign exchange (gains) / losses	31,840	3,940
Grant Income	-	(65,318)
Interest and Amortisation of convertible notes costs	287,915	194,543
Income Tax Benefit	(203,685)	(203,685)
Changes in assets and liabilities net of effect of purchase of subsidiaries		
(Increase)/Decrease in trade and other receivables	(48,409)	84,083
(Increase)/Decrease in other current assets	(7,257)	(41,599)
Increase / (Decrease) in payables	61,452	(23,590)
Net cash (used in) operating activities	(2,869,978)	(1,591,629)

(c) Non-cash Financing and Investing Activities

During the 2010 financial 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 assets to the full value was received by Alexium Inc during the year ended 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

19. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

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

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. This agreement has been extended for 12 months to June 1 2015. Alexium are currently reviewing the buyout option.

20. 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.

21. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Percentage Owned (ordinary shares)	
		2014	2013
		%	%
Parent Entity			
Alexium International Group Limited	Australia		
Subsidiaries of Alexium International Group Limited			
Alexium Limited	Cyprus	100	100
Alexium Inc	United States of America	100	100

The parent entity has an interest free unsecured loan with Alexium Inc amounting to \$9,081,153 (2013: \$4,813,413).

The parent entity has an interest free unsecured loan with Alexium Ltd amounting to \$413,831 (2013: \$381,477).

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
- Mr Craig Smith-Gander
- Mr Nicholas Clark

The Company Secretary is Mr Cameron Maitland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

Other key management personnel during the financial year were:

- Mr Stefan Susta – VP Sales and Marketing
- Dr Bob Brookins – Head of Research and Development
- Dr Dirk Van Hyning - Head of Product Development and Commercial Transition

(b) Compensation of key management personnel

Detailed remuneration disclosures are provided in the Remuneration report on pages 10 to 21.

	Consolidated Group	
	2014	2013
	\$	\$
Short-term benefits	904,081	596,177
Post employment benefits	3,527	7,706
Termination benefits	-	-
Share-based payments	217,300	140,258
	<u>1,124,908</u>	<u>744,141</u>

Value of shares and options issued to directors and executives

The Directors and Executives of the Company were issued with the following share-based remuneration during the year:

Nil ESOP Options (2013: 4 million ESOP Options) with a value of Nil (2013: \$45,710); out of which nil vested in 2014 (2013: Nil). 2,000,000 of the ESOP options issued in 2013 vested in 2014.

778,210 fully paid shares issued for \$100,000 (2013: 1,500,000 shares issued for \$90,000) in lieu of salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(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.

2014

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year (expired)	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<u>Directors</u>						
Mr G Rezos	6,500,000	-	-	-	6,500,000	5,500,000
Mr C Smith-Gander	1,500,000	-	-	-	1,500,000	1,250,000
Mr Nicholas Clark	2,000,000	-	-	-	2,000,000	2,000,000
Total Directors	10,000,000	-	-	-	10,000,000	8,750,000
<u>Executives</u>						
Mr S Susta	3,500,000	-	-	-	3,500,000	2,750,000
Dr D Van Hying	-	-	-	-	-	-
Dr B Brookins	3,000,000	-	-	-	3,000,000	3,000,000
Total Executives	6,500,000	-	-	-	6,500,000	5,750,000
Total Directors and Executives	16,500,000	-	-	-	16,500,000	14,500,000

2013

Name	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year (expired)	Balance at end of year	Options Vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
<u>Directors</u>						
Mr G Rezos	7,150,000	2,000,000	-	(2,650,000)	6,500,000	3,500,000
Mr C Smith-Gander	1,000,000	500,000	-	-	1,500,000	500,000
Mr Nicholas Clark	2,000,000	-	-	-	2,000,000	2,000,000
Mr S Susta	2,000,000	1,500,000	-	-	3,500,000	1,000,000
Total Directors	12,150,000	4,000,000	-	(2,650,000)	13,500,000	7,000,000
<u>Executives</u>						
Mr J Almond	1,250,000	-	-	(1,250,000)	-	-
Dr B Brookins	3,000,000	-	-	-	3,000,000	2,000,000
Total Executives	4,250,000	-	-	(1,250,000)	3,000,000	2,000,000
Total Directors and Executives	16,400,000	4,000,000	-	(3,900,000)	16,500,000	9,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (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. 778,210 shares were granted during the reporting year as compensation (2013: 1,500,000 shares).

2014

Name	Balance at start of year ORDINARY SHARES	Granted During the Year as Remuneration	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Balance at end of year ORDINARY SHARES
	Number	Number	Number	Number	Number
<u>Directors</u>					
Mr G Rezos	17,305,776	778,210	-	570,880	18,654,866
Mr C Smith-Gander	314,286	-	-	270,880	585,166
Mr N Clark	1,950,000	-	-	149,900	2,099,900
Total Directors	19,570,062	778,210	-	991,660	21,339,932
<u>Executives</u>					
Mr S Susta	-	-	-	-	-
Dr B Brookins	-	-	-	-	-
Dr D Van Hying	-	-	-	-	-
Total Executives	-	-	-	-	-
Total Directors and Executives	19,570,062	778,210	-	991,660	21,339,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ALEXIUM INTERNATIONAL GROUP LIMITED

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2013

Name	Balance at start of year ORDINARY SHARES	Granted During the Year as Remuneration	Received during year on exercise of options	Other changes during year ORDINARY SHARES	Balance at end of year ORDINARY SHARES
	Number	Number	Number	Number	Number
<u>Directors</u>					
Mr G Rezos	14,090,776	-	-	3,215,000	17,305,776
Mr C Smith-Gander	114,286	-	-	200,000	314,286
Mr N Clark ⁽¹⁾	-	1500,000	-	450,000	1,950,000
Mr S Susta	-	-	-	-	-
Total Directors	14,205,062	1,500,000	-	3,865,000	19,570,062
<u>Executives</u>					
Mr J Almond ⁽²⁾	14,513,000	-	-	-	14,513,000
Dr B Brookins	-	-	-	-	-
Mr H Alkis	-	-	-	-	-
Total Executives	14,513,000	-	-	-	14,513,000
Total Directors and Executives	28,718,062	1,500,000	-	3,865,000	34,083,062

(1) Balance at date of appointment. Mr Clark was Company Secretary at the beginning of the year. He was appointed as Chief Executive Officer on 22 January 2013 and Executive Director on 18 March 2013.

(2) Balance at date of resignation

(iii) Performance rights holdings

The number of performance rights 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. 7,300,000 performance rights were granted during the reporting year as compensation (2013: Nil).

2014 Performance rights

Name	Balance at start of year PERFORMANCE RIGHTS	Granted During the Year as Remuneration	Other changes during year PERFORMANCE RIGHTS	Balance at end of year PERFORMANCE RIGHTS
	Number	Number	Number	Number
<u>Directors</u>				
Mr G Rezos	-	2,500,000	-	2,500,000
Mr C Smith-Gander	-	-	-	-
Mr N Clark	-	3,000,000	-	3,000,000
Total Directors	-	5,500,000	-	5,500,000
<u>Executives</u>				
Mr S Susta	-	800,000	-	800,000
Dr B Brookins	-	600,000	-	600,000
Dr D Van Hying	-	400,000	-	400,000
Total Executives	-	1,800,000	-	1,800,000
Total Directors and Executives	-	7,300,000	-	7,300,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ALEXIUM INTERNATIONAL GROUP LIMITED

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2013 Performance shares

Name	Balance at start of year PERFORMANCE SHARES	Granted During the Year as Remuneration	Other changes during year PERFORMANCE SHARES	Balance at end of year PERFORMANCE SHARES
	Number	Number	Number	Number
<u>Directors</u>				
Mr G Rezos	2,500,000	-	(2,500,000)	-
Mr C Smith-Gander	-	-	-	-
Mr N Clark ⁽¹⁾	-	-	-	-
Mr S Susta	-	-	-	-
Total Directors	2,500,000	-	(2,500,000)	-
<u>Executives</u>				
Mr J Almond ⁽²⁾	22,085,000	-	(22,085,000)	-
Dr B Brookins	-	-	-	-
Mr H Alkis	-	-	-	-
Total Executives	22,085,000	-	(22,085,000)	-
Total Directors and Executives	24,585,000	-	(24,585,000)	-

⁽¹⁾ Balance at date of appointment. Mr Clark was Company Secretary at the beginning of the year. He was appointed as Chief Executive Officer on 22 January 2013 and Executive Director on 18 March 2013.

⁽²⁾ Balance at date of resignation

No performance shares were issued in 2014. 5,500,000 performance rights were issued to Directors in 2014 as noted above. 1,800,000 performance rights were issued to Executives in 2014 as noted above.

(d) Other transactions with key management personnel

During the period the following was paid or payable to Viaticus Capital Pty Ltd, a related party of G Rezos:

- (a) \$11,153 (2013: \$129,669) for reimbursement of salary and wages in relation to administration and bookkeeping personnel provided by Viaticus Capital of which G Rezos is a director.
- (b) \$116,512 (2013: \$223,319) to reimburse sums paid by Viaticus on behalf of Alexium for travel and relocation expenses, administration services and equipment purchase. Of this, \$3,026 in expense reimbursements remained unpaid to Viaticus as at 30 June 2014.
- (c) \$35,590 (2013: \$33,825) for office rent.
- (d) Nil (2013: \$6,600) for investor relations services.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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:

2014

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	Fixed Maturity Dates 1- 5 Years	Fixed Maturity Dates 5+ years	Non Interest Bearing	Total
	%	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	.71	1,191,910	-	-	-	3,005,550	4,197,460
Trade and other receivables/other financial assets	-	-	-	-	-	70,975	70,975
		<u>1,191,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,076,525</u>	<u>4,268,435</u>

Financial Liabilities

Trade and other payables	-	-	-	-	-	189,680	189,680
Convertible Notes	12.4	-	636,181	930,039	-	-	1,566,220
		<u>-</u>	<u>636,181</u>	<u>930,039</u>	<u>-</u>	<u>189,680</u>	<u>1,755,900</u>

2013

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	Fixed Maturity Dates 1-5 Years	Fixed Maturity Dates 5+ years	Non Interest Bearing	Total
	%	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	1.09	459,702	-	-	-	703,529	1,163,231
Trade and other receivables/other financial assets	-	-	-	-	-	22,566	22,566
		<u>459,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,095</u>	<u>1,185,797</u>

Financial Liabilities

Trade and other payables	-	-	-	-	-	128,228	128,228
Convertible Notes	12.4	-	-	1,637,038	-	-	1,637,038
		<u>-</u>	<u>-</u>	<u>1,637,038</u>	<u>-</u>	<u>128,228</u>	<u>1,765,266</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

23. FINANCIAL INSTRUMENTS (continued)

Sensitivity risk

At 30 June 2014, 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 \$11,919 higher (2013: changes of 1% \$11,632 higher/\$11,632 lower) based on cash and cash equivalent held at variable rates.

The 1% (2013: 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.

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the parent or USD functional currency of US Alexium Inc. or the UK pound sterling functional currency of Alexium Ltd.

With instruments being held by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

2014 Consolidated Group	Net Financial Assets/(Liabilities) in AUD				
	USD	AUD	GBP	Other	Total AUD
Functional currency of entity:					
Australian dollar	9,081,153	-	413,831	-	9,494,984
US dollar	-	-	(944,223)	-	(944,223)
UK pound sterling		-	-	-	
Statement of financial position exposure	9,081,153	-	(530,392)	-	8,550,761

The above balances relate to intercompany loans between member companies of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

23. FINANCIAL INSTRUMENTS (continued)

2013 Consolidated Group	Net Financial Assets/(Liabilities) in AUD				
	USD	AUD	GBP	Other	Total AUD
Functional currency of entity:					
Australian dollar	4,813,413	-	381,477	-	5,194,890
US dollar	-	-	(1,028,209)	-	(1,028,209)
UK pound sterling		-	-	-	
Statement of financial position exposure	4,813,413	-	(646,732)	-	4,166,681

The above balances relate to intercompany loans between member companies of the group.

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.

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. All financial assets and financial liabilities have a maturity date of less than one year.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

24. PARENT ENTITY INFORMATION

The following details information related to the parent Entity, Alexium International Group Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Parent Entity	
	2014	2013
	\$	\$
Current Assets	1,200,242	471,352
Non-current assets	21,567,511	17,268,917
Total Assets	22,767,753	17,740,269
Current liabilities	683,905	63,098
Non-current liabilities	930,039	1,637,038
Total Liabilities	1,613,944	1,700,136
Contributed equity	24,773,640	18,092,756
Accumulated losses	(4,404,036)	(2,703,347)
Reserves	784,205	650,724
Total equity	21,153,809	16,040,133
Loss for the year	(1,700,689)	(823,645)
Other comprehensive income net of tax for the year	-	-
Total comprehensive income net of tax for the year	(1,700,689)	(823,645)

The Company's commitments and contingencies are detailed in 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 under patent application 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, for the same patent application excluding the United States, in exchange for a 5% gross sales royalty to be paid to Dr Owens. These royalties only apply where the RST technology is used in the product production process, which does not include all fire retardant products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

25. COMMITMENTS AND CONTINGENCIES (continued)

- 2) On February 9 2012 the Group entered into an agreement with Baker Young Stockbrokers Limited to provide corporate advisory services for \$5,000 per month for a period of 12 months. This agreement continues on a month to month basis. This agreement was renewed in March 2014 for a further 12 months.
- 3) 23 April 2013 the Group entered into an agreement with The Lebrecht Group APLC as its Principal American Liaison (PAL) for the company's securities to trade on the OTCQX marketplace in the United States. This agreement may be terminated by any of the parties at any time, for any reason, by providing written notice to each of the other parties.

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 two premises in South Carolina under operating leases which expire on 30 April 2015 and 31 March 2016. The leases have various terms, escalation clauses and renewal rights.

	Consolidated Group	
	2014	2013
	\$	\$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	77,834	48,751
Later than one year but not later than 5 years	71,045	88,672
Later than 5 years	-	-

(ii) Capital equipment lease

During the 2010 financial 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 assets to the full value have been received by Alexium Inc during the year ended 30 June 2011. 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. This agreement has been extended for 24 months to June 1 2015. Alexium Inc are currently reviewing the buyout option.

The Group had no other commitments as at 30 June 2014.

(b) Contingencies

The Group has no other contingent liabilities as at 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

ALEXIUM INTERNATIONAL GROUP LIMITED

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

The Series A convertible notes matured on 30 August 2014 and 7,610,267 shares were issued on conversion of 6,430,000 convertible notes. In addition 750,000 unlisted options exercisable at \$0.18 and expiring on 31 August 2017 were issued in August 2014.

On 21 August 2014 the Company announced it had received a grant of \$250,000 from the South Carolina/Israel Collaborative Industry R & D Programme.

Except for the above no other significant event has occurred since the end of the financial year that may have a significant impact on the financial position of the Group.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and accompanying notes, as set out on pages 28 to 77 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 Group's financial position as at 30 June 2014 and of its 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 disclosure set out on pages 10 to 21 of the Directors' report (as part of the audited Remuneration Report) for the year ended 30 June 2014, 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, 30th September 2014

**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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated 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 10 to 21 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit and Consulting 13/10


J P Van Dieren
Director

West Perth, Western Australia
30 September 2014

ADDITIONAL INFORMATION

ALEXIUM INTERNATIONAL GROUP LIMITED

The distribution of members and their holdings at 22 September 2014 was as follows:-

NAME OF 20 LARGEST ORDINARY SHAREHOLDERS	NUMBER OF ORDINARY FULLY PAID SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
Piper Buchanan Limited	14,163,000 *	6.72
Aymon Pacific Pty Ltd	13,096,471 *	6.21
JP Morgan Nominees Australia Ltd	12,526,828 *	5.94
ABN Amro Clearing Sydney Nominees Pty Ltd	7,760,980	3.68
Korcula (BVI) S A	4,812,000	2.28
HSBC Custody Nominees (Australia) Limited - A/C 3	4,701,267	2.23
HSBC Custody Nominees (Australia) Limited - A/C 2	4,507,662	2.14
Gavin and Joanne Rezos	4,320,185	2.05
Peter Bartter	3,861,339	1.83
Peter Macskasy Barnes	3,444,000	1.63
Seafeld Superannuation Pty Ltd	3,038,189	1.44
Himstedt Superannuation Pty Ltd	2,928,319	1.39
Mr A B Utturkar & Mrs R A Utturkar	2,522,704	1.20
Geonicclark Pty Ltd	2,099,900	1.00
Vellelonga International Pty Ltd	2,075,000	0.98
Mr Ian Davies	2,001,371	0.95
Mr Egan Johnson	1,753,116	0.83
Mr Alan Dean	1,385,609	0.66
HSBC Custody Nominees (Australia) Limited	1,349,274	0.64
David Rivett Pty Ltd	1,280,295	0.61
	93,627,509	44.41

MARKETABLE PARCEL

At 22 September 2014, 157 shareholders held less than a marketable parcel.

SUBSTANTIAL SHAREHOLDERS

Shares held by substantial shareholders listed in the company's register at 22 September 2014 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.

Quotation has been granted on the Frankfurt Exchange

Alexium is fully quoted on the OTCQX

DISTRIBUTION OF SHAREHOLDERS

	Shareholders
1 - 1,000 shares	146
1,001 - 5,000 shares	68
5,001 - 10,000 shares	128
10,001 - 100,000 shares	686
100,001 and over	312
Total Ordinary Shareholders	1,340