ALEXIUM INTERNATIONAL GROUP LIMITED

ANNUAL REPORT

For the Year Ended 30 June 2021

ABN 91 064 820 408 PRESENTED IN US DOLLARS

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DIRECTORS	Mrs Rosheen Garnon Brigadier General Stephen Cheney, USMC(Ret) Mr Simon Moore Dr Paul Stenson Dr Robert Brookins
COMPANY SECRETARY	Mark Licciardo Belinda Cleminson (Resigned 01 December 2020)
REGISTERED OFFICE	Level 7, 330 Collins Street Melbourne VIC 3000 Telephone: +61 8 9384 3160
AUDITORS	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
SHARE REGISTRY	Automic Registry Services Level 5, 126 Phillip St Sydney NSW 2000 Telephone: 1300 288 664
BANKERS	Macquarie Bank Level 23, 235 St Georges 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 Limited Home Exchange: Perth ASX Code: AJX

Dear Shareholders,

We bring FY2021 to a close with a series of commercial successes that will have greater future revenue and profitability impact than in the Company's history. Over the past twelve months, key commercial & product-line milestones have been realized that significantly expand our market opportunities and establish new revenue streams for FY2022. Notable examples of this include the following:

- *Total mattress cooling system (TMCS) – Developed with commercial partners over the past 18 months, the TMCS initiative brings a diverse set up Alexicool® products into a single mattress design. Initial sales began in FY2021 with the full run rate expected in 1H FY2022.*

- *Eclipsys™ – Commercially launched in Q2 FY2021, this product line provides continual cooling via our proprietary technology. While bedding applications were the initial target market, we have identified a number of applicable markets with first revenue for the body armor market anticipated in 1H FY2022.*

- *BioCool™ – also commercially launched in Q2 FY2021, this product line launched a proprietary biobased and biodegradable phase change material (PCM) which has had fast adoption in the bedding market and will continue to grow market share in 1H FY2022.*

Coupling these developments with the new commercial team in place plus growth in other product lines (Alexiflam NF for mattress FR barriers and Eclipsys™ for mattresses), shareholders can clearly see the Company is focused on executing its growth strategy in FY2022.

Our year-over-year growth of 20% in FY2021 speaks well for our team's performance given this growth is on existing markets with established products. As outlined above, we are working towards a stronger growth profile which will be driven by new products and new markets.

While the COVID-19 pandemic continues to present its challenges, the majority of our team has been vaccinated, allowing our Company and our customers to get back to "normal" in 2H FY2021. As we all know, this continues to be a fluid situation, but the board and management team believe the Company is well-positioned to manage any issues as they arise.

Thank you to all of our shareholders for your support.

Sincerely,

Mrs Rosheen Garnon
Chair of the Board

Dr Bob Brookins
Chief Executive Officer

Your Directors present their report on Alexium International Group Limited and its subsidiaries ('Company') for the period ended 30 June 2021.

DIRECTORS

The Directors of the Company in office during the period ended 30 June 2021 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- Mrs Rosheen Garnon
- Brigadier General Stephen Cheney
- Dr Robert Brookins
- Mr Simon Moore
- Dr Paul Stenson

PRINCIPAL ACTIVITIES

The development of advanced materials where there is a market opportunity for commercialisation. During the period activities included:

- Research and development in consultation with end clients;
- Obtaining patents in relation to new products developed; and
- Commercialisation and sales of the products.

DIVIDENDS

No dividend was paid during the period and the Board has not recommended the payment of a dividend (2020: Nil).

SHARE CAPITAL

The following were on issue:

Type	30-Jun-21	30-Jun-20
Ordinary shares	640,197,246	634,456,542
Unlisted options	-	1,500,000
Outstanding warrants	3,829,787	3,829,787
Share appreciation rights	16,150,924	-
Performance rights	1,226,076	2,992,160

OPERATING AND FINANCIAL REVIEW

Operations and Technology Review

The Company's corporate and operating activities are performed from our single facility located in Greer, South Carolina, USA. The Company utilises contract manufacturers to produce finished goods; this creates a variable cost model for manufacturing and allows the Company to focus its efforts on product development and commercialisation of high-performance products. The main product families are phase change material ("PCM") and cooling products for the bedding industry and flame retardant ("FR") technologies for markets such as bedding, military, and workwear.

Alexium's focus areas during the year:

<u>Alexicool®</u>: PCM-based cooling products for textile and foam applications. This product line is the key driver of sales of the Company. Its performance is reliable and drives value for customers.

<u>BioCool™</u>: Commercialised proprietary biobased cooling products for textile and foam applications with a product line that has a USDA BioPreferred Certification with 92% biobased content with initial sales and increasing adoption rates by customers in 2H FY2021.

<u>Total Mattress Cooling System (TMCS)</u>: Technology based on the Company's Alexicool® product line, TMCS provides a higher level of cooling performance using multiple products integrated into various components within the mattress. First sales started in H2 with the full run rate expected to be established in 1H FY2022.

<u>Phonon™ / Eclipsys™</u>: Perpetual cooling technology for textile and foam-based products. This IP protected technology is a lightweight product that has benefits of being adaptive/responsive cooling, non-flammable, non-toxic and is environmentally friendly. In contrast to PCM Technology, which works by absorbing heat, this technology builds on this by counteracting the insulative effects of foam and textiles, constantly moving heat away from the consumer. Customer trials are expected in 1H FY 2022 for body armor.

Alexiflam® NF-treated Sock for Foam Mattresses: This initiative applies the Company's FR product to a cotton-based mattress sock to provide a flame barrier in foam mattresses. For the year, marketing to mattress-component manufacturers and brands has been successful in driving market interest in the technology. Successful production runs with manufacturers have further solidified the supply chain to support customers in the US. The Company is leveraging current customer relationship to penetrate the market.

Alexiflam® FR for military uniforms: Joint efforts have continued during the year with Pine Belt Processing (a subsidiary of Warmkraft, Inc.) on the manufacturing process application of Alexiflam® with some progress. To accelerate our progress, the Company is now pursuing a two-prong commercial strategy that includes rolled goods application. This moves the application of Alexiflam® to earlier in the supply chain to the point where fabric is rolled up onto a core after it has been woven ensuring a consistent application of chemistry.

Commercialisation of Alexiflam® NF: The Company signed a supply and evaluation agreement for the commercialisation of Alexiflam® NF with a major flame-retardant chemical company ("Business Partner") following an MOU announced April 4, 2019. The agreement grants access to the technology for the Business Partner to actively evaluate the potential uses with target markets of global FR cotton including workwear. The technology in FR socks for foam mattresses, cotton fleece, and military uniforms is not included in the agreement.

Financing: The Company obtained a second $0.5M loan from the US CARES Act Paycheck Protection Program which is expected to be forgiven based on the submission of qualifying expenses. The first loan that was received in FY2020 for $0.5M was forgiven in Q4 FY2021.

COVID-19: The company responded to COVID-19 through adaptations to various aspects of the business including implementing safety protocols for employees, restricting access to the operations, implementing more regular communications with both toller manufacturers and suppliers along with increasing engagement with both current and potential customers.

Management implemented restrictions to the Company's facility which identified and required certain employees to work from home. The Company also implemented a strict check in process for those who came to work and severely restricted visitors of any kind. Our toll manufacturer remained open during the entire year and manufactured product without interruption. Materials suppliers and logistics for the most part remained intact.

Customer engagement remained high but without on-site visits for most of the year. With the roll out of the vaccine program came some relief of restrictions. The Company ceased their check-in and work from home mandate on 1 June2021 for employees once we reached a majority of people vaccinated. In addition, the Company allowed select customer and supplier visits to our facility with temperature check and questionnaire completion. We also experienced customers allowing Company employees to visit their businesses.

The company did not experience a significant downturn or loss of business with its existing customer base and was able to increase sales by 20% year over year with strong demand for bedding related products from consumers. The Company did observe through its customers that as producers of bedding went into the start of COVID-19 they purposefully reduced inventories to lower inventory carrying costs during the period of uncertainty. This action caused delays to the supply chain particularly when demand started to increase back to pre-COVID-19 levels.

Operationally, employee headcount remained consistent through the year. Travel restrictions are easing, customer in-person visits and industry conferences/trade shows are returning. There are no significant changes to operating costs due to COVID-19.

Management has taken a multifaceted approach to reviewing the balance sheet for COVID-19 related asset impairment. Management has considered potential impacts by estimating the recoverable amount of intangible assets as part of impairment testing. The results of our assessment indicate that assets are not held at amounts higher than the recoverable amount. Further, no expected credit losses are recognised, and year end customer receivables are considered fully collectable.

Financial Result Overview

The Company's net loss attributable to members of the Company for the financial year ended 30 June 2021 was $1,445,319 (2020: $6,125,476). This represents a 76% decrease in net loss over the prior period. The primary drivers behind this are described below.

Revenues from ordinary operating activities increased 20% from the prior year at $7,276,399 (2020: $6,078,857). Gross profit increased 14% year over year at $2,641,907 (2020: $2,313,099) while gross margins decreased two percentage points to 36% (2020: 38%) mainly due to product mix.

Operating costs increased 7% from $5,025,347 to $5,377,173. The net change of $351,826 is comprised of $239,536 decrease on selling, general and administrative expenses offset by increases in depreciation and amortisation expense of $322,404, decrease in capitalised internal development costs to non-current assets resulted in an increase of $216,450 to operational expenses, and loss on sale/disposal of fixed assets for $52,508.

Interest expense decreased by $1,200,493 which together with the loss of extinguishment of debt in the prior year of $1,522,033 resulted in a positive change year over year due to the refinancing of the company debt in December 2019. The gain on embedded derivative on the existing loan increased income by $1,071,435.

Finally, the company recognised the forgiveness of both loans received under the US CARES Act PPP program in the amount of $921,315. The first loan that was received in FY2020 was forgiven, and the second loan that was received in FY2021 is expected to be forgiven sometime in 1H FY2022 which is when the forgiveness process is expected to open.

As at 30 June 2021 the cash position was $2,932,673 (2020: $4,741,251). Cash changes were from normal operating and investing activities. The company was also able to obtain $460,352 loan from the US CARES Act Paycheck Protection Program which is part of the financing activities on the cash flow statement.

Material Business Risks

The Company has identified below the specific risks which could impact upon its prospects:

Maintaining strong intellectual property position: Product innovation is key to the Company's business model, thus maintaining a strong intellectual property position is critical. To ensure this, the Company is attentive to developing next-generation products that are not only well-differentiated in the market but are also inventive and meet market needs. Maintaining a well-educated and highly experienced technical staff will continue to be a focus for the Company.

Competition in key markets: The Company has worked diligently on its PCM-based products to ensure that market competition is well understood, and that the Company's product portfolio adequately responds to these competitors. This response includes:

- Effective pricing strategies and product innovation;
- Analytical tools and methods that objectively demonstrate the value of the Company's products versus competitor's; and
- Identification of market gaps where current commercial technologies are not effective.

Sufficient capital for achieving profitability: The Company monitors and manages its resources to ensure there is sufficient capital to achieve profitability. Based on the Company's budget, the Board is confident that the Company's revenue forecasts, commercial pipeline, and funding options will ensure that the Company is sufficiently capitalised for the upcoming twelve months.

Commercial risks due to market dynamics: Beyond threats from competitors, the Company identifies changes in the markets themselves as potential risks and works to mitigate these risks through diversification of its product portfolio, customer driven product innovation, and building a broader customer base.

Covid-19 Impact: COVID-19 presents business challenges due to the uncertainty of long-term impact to consumer spending and potential supply-chain disruption in the bedding related industry. The Company is proactively managing the circumstances as it evolves its strategies and processes to protect employees and stakeholder's interests.

Likely Developments

In FY2022, Alexium is committed to:

- Further commercialisation of BioCool™ product line which is USDA BioPreferred certified
- Diversify efforts for FR NyCo technology for military uniforms using parallel paths to market
- Commercialisation of the Eclipsys™/ Phonon® product line
- First revenues from Alexiflam® FR Sock
- Significant revenue growth with achieving positive EBITDA; and
- Ensuring a financially strong and stable business through detailed planning, responsible management and transparency of strategy and outcomes.

The Company's business strategies to achieve the above goals include:

- Leveraging market position and Company resources for greater market penetration;
- Strengthening and maintaining key relationships supporting the Company's initiatives; and
- Disciplined and conservative approach to increasing expenditures relative to sales growth.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There has not arisen any item, transaction, or event of a material and unusual nature, which in the opinion of the Directors is likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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 Company.

ENVIRONMENTAL REGULATIONS

The Company's operations are currently located solely in the United States, and as such are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia. 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.

US Laws concerning the environment that affect or could affect our operations include, among others, the Clean Water Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, regulations promogulated under these Acts, and any other federal, state, or local laws or regulations governing environmental matters. We believe that the Company is in compliance with these laws and that future compliance will not materially affect our earnings or competitive position.

A key feature of the Company's product portfolio is their environmentally friendly natures. This focus ensures that there is positive impact to the environmental standing of its customers. Additionally, the Company's manufacturing partners are selected in part based on their adherence to established environmental standards as well as compliance with manufacturing standards such as ISO 9001.

For the period ended 30 June 2021, the Board is not aware of any breach of applicable environmental regulations by the Company.

CORPORATE GOVERNANCE STATEMENT

The documents that govern the Company's corporate governance framework, including its Constitution, charters and polices are available in the Corporate Governance section on the Company's website - www.alexiuminternational.com/about/#corpGov

INFORMATION ON DIRECTORS

The names of the Directors holding office during the period ended 30 June 2021 are set out below, together with details of Directors' experience, qualifications, special responsibilities, and other company directorships during the past three financial years.

Mrs Rosheen Garnon

Mrs Garnon has been an independent Non-Executive Director of the Company since 19 September 2018. She was appointed Non-Executive Chair of the Board of Directors on 31 March 2019.

Experience:
Mrs Garnon has had a distinguished career in the accounting profession as a chartered accountant and taxation advisor. She was a senior partner with KPMG and held senior executive leadership roles with the firm in Australia and at a global level. Mrs Garnon was a member of the KPMG Australian Executive Leadership Team for six years as the National Managing Partner for the Taxation Division. She has extensive experience of working with Boards and C Suite executives.

Mrs Garnon is a Non-Executive Director of Australian Rail Track Corporation, a Non-Executive Director of Resolution Life Australia, and a Non-Executive Director of Venues NSW. She is Chair of the Board of Taxation, an independent advisory board, that advises the Federal Treasurer and the Assistant Treasurer on Australia's taxation system. Her not for profit and volunteer roles include a Non-Executive Director of The Smith Family; Deputy Chair of the Australia Council for the Arts; a Non-Executive Director of Creative Partnerships Australia; Member of the Finance Committee, The University of Sydney, and a Non-Executive Director of Women Corporate Directors.

Mrs Garnon's qualifications include a Bachelor of Economics (Accounting Major) and Bachelor of Laws from the Australian National University. She is a Fellow of Chartered Accountants in Australia and New Zealand, a Chartered Tax Advisor, and a Graduate of the Australian Institute of Company Directors.

Qualifications: BEc (Accounting major), LLB, FCA, CTA, GAICD

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
Resolution Life Australia Pty Limited	Nov-19	Current
Australian Rail Track Corporation	Nov-18	Current
The Smith Family	Feb-19	Current
Creative Partnerships Australia	May-13	Current
Women Corporate Directors Limited	2012	Current
Venues NSW	Mar-21	Current
Australian Council for the Arts	Aug-21	Current

Residence: Mrs Garnon is an Australian resident and resides in Sydney, New South Wales, Australia.

Brigadier General Stephen Cheney

General Cheney has been an independent Non-Executive Director of the Company since 15 April 2015. General Cheney is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee and Risk Committee.

Experience:
General Cheney is the former Inspector General of the Marine Corps and Commanding General of Parris Island Marine Base. He is also the former Deputy Executive Secretary to US Defence Secretary Dick Cheney under President George H.W. Bush. General Cheney sat on Secretary of State John Kerry's Foreign Affairs Policy Board and is the President of the Washington D.C. based 501(C)3 policy group The American Security Project as well as President of their 501(C)(4) company The American Security Action Fund.

Qualifications: BS, Marine Engineering (U.S. Naval Academy); MS, Systems Management (Univ. of Southern California); Graduate, U.S. National War College; BGen USMC(Retired).

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
American Security Project	2007	Current
The American Security Action Fund	2017	Current

Mr Simon Moore

Mr Moore has been an independent Non-Executive Director of the Company since January 2020 and is currently Chair of the Audit Committee and a member of the Nomination and Remuneration Committee and the Risk Committee.

Experience:

Mr Moore is the Senior Partner of investment firm, Colinton Capital Partners. Prior to establishing Colinton Capital Partners in 2017, Mr Moore was a Global Partner of The Carlyle Group having established their operation in Australia in 2005. In his time at The Carlyle Group, he oversaw the Firm's investments in and served on the Boards of Directors of Coates Hire, Healthscope and Qube.

Mr Moore's qualifications include a Bachelor of Commerce (Hons) and a Bachelor of Laws (Hons) from the University of Queensland

Qualifications: BComm (Hons); LLB (Hons) University of Queensland, Brisbane, Australia.

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
Palla Pharma - Chairman	Jul-16	Current
AMA Group – Deputy Chairman	Nov-18	Current
Megaport – Deputy Chairman	Nov-14	Sep-19
FirstWave Cloud Technology – Non-executive Director	Feb-17	Aug-19

Residence: Mr Moore is an Australian resident and resides in Sydney, New South Wales.

Dr Paul H. Stenson

Dr Stenson has been an independent Non-Executive Director of the Company since 15 June 2020. Dr Stenson is the chair of the Risk Committee and a member of the Audit Committee and Remuneration Committee.

Experience:

Dr Stenson has a distinguished career with the research, development, manufacture, and commercialisation of new materials in the fields of coatings, adhesives, nonwovens, and pharmaceuticals.

Dr Stenson has been President and CEO of StanChem Inc. since January 2018. StanChem Inc. comprises two companies – StanChem Polymers which is a manufacturer of water-based polymers for the coatings and adhesives industries, and Albi Protective Coatings which focuses on the specialty sector of fire protective intumescent paints.

Prior to joining StanChem in 2017, Dr Stenson worked as a global technology director at Axalta Coating Systems. Between 2011 and 2016, Dr Stenson was the executive vice president of technology and product development at Ahlstrom for nonwoven and specialty high performance paper products. Prior to joining Ahlstrom, Dr Stenson was the vice president of technology for industrial and packaging coatings at Valspar based in Minneapolis and Zurich, Switzerland from 1993 until 2011. Dr Stenson is also the chairman of TopChem Pharmaceuticals (Ireland) which is a manufacturer of active pharmaceutical ingredients.

Dr Stenson earned a PhD in chemistry from University College Dublin, Ireland in 1986 and studied at Institute Chimie Substances Naturelles – Paris, France.

Qualifications: BSc (Science), PhD (Chemistry).

Other directorships during the last 3 financial years:

Company	Commenced	Ceased
TopChem Pharmaceuticals (Ireland) Limited	Jul-09	Current
StanChem Holdings LLC	Jul-17	Current

Residence: Dr Stenson is a citizen of Ireland and the USA and resides in Connecticut, USA

Dr Robert Brookins
Dr Brookins was appointed as the Company's Chief Executive Officer and Managing Director on 13 July 2018.

Experience:
Dr Brookins has more than 15 years of experience in organic synthesis and materials chemistry. He received his PhD from the University of Florida in the areas of synthesis and characterisation of conjugated polyelectrolytes and polymers with an emphasis on developing new polymerisation methods. Upon completion of his PhD, he worked at the US Air Force Research Laboratory at Tyndall AFB, FL where he developed decontamination methods for chemical and biological threats and developed novel synthetic routes for reactive and functional surfaces. In 2010, Dr Brookins joined Alexium where he and his team pioneered new classes of flame retardants for key textile markets. Additionally, his research focuses on phase change materials, particularly novel application methods and analytical tools.

Dr Brookins has been instrumental in the research and development of the Company's innovative technologies. Dr Brookins led the development and commercialisation of Alexium's phase change material (PCM) platform technologies and the Alexicool® product line, which is the foundation of the Company's success in the bedding and top-of-bed markets.

Dr Brookins has, during his 8 years with the Company, been involved in multiple facets of the business, including working with customers on product design and marketing, analysing markets to assess opportunities, and planning for logistics and supply-chain management. In addition, Dr Brookins co-invented Alexium's flame retardant (FR) technologies for military uniforms and formaldehyde-free, flame retardant products for cotton-based materials. Dr Brookins has been immersed in the operations and strategy of the business and has gained significant experience working within the senior leadership team of the Company.

Qualifications : PhD, M.A.E. BA, BSc

Other listed directorships in the past 3 financial years: N/A

Other directorships in the past 3 financial years: N/A

Residence: Greer, South Carolina, USA

COMPANY SECRETARY

Mr Mark Licciardo of Mertons Corporate Services Pty Ltd was appointed as Company Secretary effective 01 March 2020. Mertons was established in 2007 by Mr Licciardo as a specialist corporate governance and company secretarial consultancy. His 35-year corporate career has encompassed executive roles in banking, finance, funds management, investment, and infrastructure development.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the reporting period, and the number of meetings attended and number of meetings applicable based on appointment/resignation date for each Director were:

Directors	Board of Directors	Audit Committee	Risk Committee	Remuneration & Nomination Committee
Mrs Garnon	12/12	-	4/4	6/6
Mr Cheney	12/12	5/5	4/4	6/6
Mr Moore	12/12	5/5	4/4	6/6
Dr Stenson	11/12	5/5	4/4	2/2
Dr Brookins	12/12	-	-	1/1

The Board and committees meet regularly on an informal basis in addition to the above meetings.

REMUNERATION REPORT – AUDITED

The information provided in this Remuneration Report has been audited as required under section 308(3C) of the Corporations Act (Cth).

A. Key Management Personnel ('KMP')

For the purposes of this report personnel deemed KMP at any time during the reporting period ended 30 June 2021 are:

Name	Position	Appointed	Resigned
Mrs Rosheen Garnon	Non-Executive Chair	-	-
Brigadier General Stephen Cheney	Non-Executive Director	-	-
Mr Simon Moore	Non-Executive Director	-	-
Dr Paul Stenson	Non-Executive Director	-	-
Dr Robert Brookins	Chief Executive Officer	-	-
Mr Jason Lewis	Chief Financial Officer	-	-
Mr Allen Reihman	Chief Commercial Officer	-	02-Nov-20

B. Remuneration Policy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive; appropriate for the stage of development of the Company and the results delivered, and set to attract and retain suitably qualified and experienced candidates. The Remuneration and Nomination Committee continuously monitors the remuneration framework with a goal of ensuring that remuneration is aligned with performance and the creation of value for shareholders. The Company's remuneration framework aims to ensure that:

- Rewards reflect the competitive global market in which the Company operates;
- Incentive remuneration is linked to KPI's, which are designed to encourage behaviours that are short, medium and long term in nature;
- Rewards to executives are linked to the creation of value to shareholders;
- Executives are rewarded for both financial and non-financial performance; and
- Remuneration arrangements ensure equity between executives and facilitate the deployment of human resources.

The Board seeks independent advice on remuneration policies and practices. In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities are carried out by Brigadier General Cheney (Chair), Mr Moore, Mrs Garnon and Dr Stenson.

Non-Executive Director Remuneration Policy
Fees and payments to the Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Director's fees and payments are reviewed by the Remuneration Committee to ensure they are appropriate and in line with the market. Non-Executive Directors receive a fixed fee for service.

The Non-Executive Directors' fees are determined within an aggregate director's' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at 375,000 per fiscal year and was approved by shareholders at the 2016 Annual General Meeting.
No retirement benefits are provided other than compulsory superannuation.

Executive Remuneration Policy
The Company's Managing Director and Executives remuneration packages contain the following key elements:

- **Primary benefits** – base salary, short-term incentives, pension contributions and medical benefit plan for US based executives.
- **Long term incentives** – performance rights and shares under the Company's Performance Rights Plan and Incentive Share Plan. This year, the company introduced a new Share Appreciation Rights Plan.

External remuneration information provides benchmark information to ensure remuneration is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed salary increase included.

C. Consequence on Shareholder Wealth

In considering the performance of the Company and the benefits for shareholder wealth, the Remuneration Committee has regard to a range of indicators in respect of senior executive remuneration and have linked these to the previously described short- and long-term incentives.

The following table presents these indicators over the past five financial years:

	2021	2020	2019	2018	2017
Net profit/ (loss)	**(1,445,319)**	(6,125,476)	(6,939,521)	(3,691,119)	(9,136,923)
Dividends declared	**Nil**	Nil	Nil	Nil	Nil
Share price as at 30 June (A$)	**0.049**	0.060	0.155	0.120	0.560
EPS (cents)	**(0.23)**	(1.26)	(2.01)	(1.22)	(3.03)

D. Details of Remuneration

Details of the remuneration of the KMP of the Company is set out below:

	Short-term benefits			Share-based payments			Other Benefits			
	Salary and fees	Non-Monetary benefits	Short Term Incentives	Performance Rights	Share Appreciation Rights	Shares in lieu of salary	Super-annuation	Termination Benefits	Total	Performance based % of Total
2021										
Non-Executive Directors										
Mrs Garnon	**59,101**	-	-	-	-	**30,681**	**8,675**	-	**98,457**	**0.0%**
BGen Cheney	**50,500**	-	-	-	-	**19,500**	-	-	**70,000**	**0.0%**
Mr Moore	**69,825**	-	-	-	-	-	-	-	**69,825**	**0.0%**
Dr Stenson	**70,000**	-	-	-	-	-	-	-	**70,000**	**0.0%**
Total	**249,426**	-	-	-	-	**50,181**	**8,675**	-	**308,282**	
Managing Director										
Dr Brookins	**315,000**	**14,378**	**23,625**	**42,767**	**55,125**	-	-	-	**450,895**	**27.0%**
Total	**315,000**	**14,378**	**23,625**	**42,767**	**55,125**	-	-	-	**450,895**	
Executives										
Mr Lewis	**265,000**	**14,378**	**39,750**	**23,738**	**46,375**	-	-	-	**389,241**	**28.2%**
Mr Reihman	**97,044**	**6,120**	-	-	-	-	-	**116,500**	**219,664**	**0.0%**
Total	**362,044**	**20,498**	**39,750**	**23,738**	**46,375**	-	-	**116,500**	**608,905**	
Total	**926,470**	**34,876**	**63,375**	**66,505**	**101,500**	**50,181**	**8,675**	**116,500**	**1,368,082**	

Short-term incentive plan ("STI") is paid in cash for the achievement of a range of financial and non-financial performance criteria based on corporate objectives:
(a) Financial – Revenue Growth and EBITDA;
(b) Non-Financial – numerous and distinct key performance goals approved by the board each having its own weight of the total bonus targets
(c) FY 21 STIs forfeited due to not meeting performance criteria are:
    a. Dr Brookins – 75%
    b. Mr Lewis – 50%

Long term incentive plans ("LTI") are provided with the objectives to:
(a) provide an incentive and to reward, retain and motivate participants.
(b) recognise the abilities, efforts, and contributions of participants to the performance and success of the Group; and
(c) provide participants with the opportunity to acquire or increase their ownership interest in the Group.

See *F. Share Based Compensation* section for detail on long term incentives.
Share Appreciation Rights expense is recognized on the current period accounting value of the plan. Realized remuneration will occur only when all vesting conditions are met.

Shares in lieu of salary to directors were approved by shareholder at the 2020 and 2019 AGMs respectively.
Mr Reihman resigned 2 November 2020.

	Short-term benefits			Share-based payments			Other Benefits			
	Salary and fees	Non-Monetary benefits	Short Term Incentives	Performance Rights	Share Appreciation Rights	Shares in lieu of salary	Super-annuation	Termination Benefits	Total	Performance based % of Total
2020										
Non-Executive Directors										
Mrs Garnon	72,777	-	-	-	-	30,068	10,154	-	112,999	0.0%
BGen Cheney	49,637	-	-	-	-	19,944	-	-	69,581	0.0%
Mr Moore	29,166	-	-	-	-	-	-	-	29,166	0.0%
Dr Stenson	2,916	-	-	-	-	-	-	-	2,916	0.0%
Ms Poll	47,290	-	-	-	-	-	-	-	47,290	0.0%
Total	201,786	-	-	-	-	50,012	10,154	-	261,952	
Managing Director										
Dr Brookins	314,269	15,953	18,900	42,767	-	-	-	-	391,889	15.7%
Total	314,269	15,953	18,900	42,767	-	-	-	-	391,889	
Executives										
Mr Lewis	264,039	15,953	15,900	23,738	-	-	-	-	319,630	12.4%
Mr Reihman	232,692	12,779	9,320	22,071	-	-	-	-	276,862	11.3%
Total	496,731	28,732	25,220	45,809	-	-	-	-	596,492	
Total	1,012,786	44,685	44,120	88,576	-	50,012	10,154	-	1,250,333	

Short-term incentive plans ("STI") are paid in cash for the achievement of a range of financial and non-financial performance criteria based on corporate objectives:

(a) Financial – EBITDA and cash improvements targets
(b) Non-Financial - Securing supply contracts and licensing agreements with key partners and new product commercialisation
(c) Shareholder Value – increase in share price
(d) For all KMPs, 80% of STIs were forfeited due to not meeting performance criteria.

Performance Rights Plan details are found at Note 16

Shares granted to directors in lieu of salary included 12,705 of total shares awarded under the FY 19 performance rights plan approved by shareholder at the 2018 AGM, and 37,307 approved by shareholders at the 2019 AGM but are not under a performance rights plan.

Ms Poll resigned 01 March 2020.

E. Service Agreements

On appointment, the Non-Executive Directors enter into an agreement with the Company in the form of a letter of appointment. The letter outlines the Board's policies and terms, including remuneration relevant to the office of director. Non-Executive directors are compensated for their contributions to the board and any committees they lead or serve. These agreements can be terminated without cause by either party at any time.

The Company has also entered into service agreements with executives, which contain standard terms and conditions for agreements of this nature, including confidentiality restraint on competition and intellectual property provisions. These agreements may be terminated by six months' notice by either party, or earlier in the event of certain breaches of the terms and conditions. The Company may at its sole discretion terminate the employment without cause by giving six months written notice or make a payment of six months' salary in lieu of notice. Remuneration is reviewed annually and approved by the Board of Directors and includes potential short-term and long-term incentive opportunities as well as salary and other benefits.

F. Share-based Compensation

Performance Rights

Prior year plans for performance rights vest annually over three-year periods. The rights vested in the current reporting period were based on prior years objectives and continued employment requirement.

The valuation of performance rights granted and vested to KMP is detailed below:

	2021			2020		
	Granted ($)	**Vested ($)**	**Forfeited ($)**	Granted ($)	Vested ($)	Forfeited ($)
Managing Director						
Dr Brookins	**-**	**42,767**	**-**	14,046	42,767	-
Total Managing Director	**-**	**42,767**	**-**	14,046	42,767	-
Executives						
Mr Lewis	**-**	**23,738**	**-**	9,453	23,738	-
Mr Reihman	**-**	**-**	**(24,841)**	8,312	22,071	-
Total Executives	**-**	**23,738**	**(24,841)**	17,765	45,809	-
Total KMP	**-**	**66,505**	**(24,841)**	31,811	88,576	-

The number of performance rights held during the reporting periods to KMP including their personally related parties is set out below:

2021	**Balance at start of year**	**Granted**	**Issued**	**Forfeited**	**Balance at end of year**	**Vested- not issued**
Managing Director						
Dr Brookins	**1,081,976**	**-**	**(471,213)**	**-**	**610,763**	**471,211**
Total Managing Director	**1,081,976**	**-**	**(471,213)**	**-**	**610,763**	**471,211**
Executives						
Mr Lewis	**640,313**	**-**	**(273,198)**	**-**	**367,115**	**273,196**
Mr Reihman	**583,880**	**-**	**(250,652)**	**(333,228)**	**-**	**-**
Total Executives	**1,224,193**	**-**	**(523,850)**	**(333,228)**	**367,115**	**273,196**
Total KMP	**2,306,170**	**-**	**(995,063)**	**(333,228)**	**977,879**	**744,407**

2020	Balance at start of year	Granted	Issued	Forfeited	Balance at end of year	Vested-not issued
Managing Director						
Dr Brookins	1,282,584	418,654	(619,262)	-	1,081,976	471,214
Total Managing Director	1,282,584	418,654	(619,262)	-	1,081,976	471,214
Executives						
Mr Lewis	537,829	281,761	(179,277)	-	640,313	273,198
Mr Reihman	504,215	247,737	(168,072)	-	583,880	250,652
Total Executives	1,042,044	529,498	(347,349)	-	1,224,193	523,850
Total KMP	2,324,628	948,152	(966,611)	-	2,306,169	995,064

Share Appreciation Rights:
The share appreciation rights granted and vested to KMP is detailed below:

	Grant Date	Vesting Date	Expiry Date	Opening Price	Full Vesting Target Price	FV at Grant	SARs Granted	Current Year Expense
Dr Brookins, CEO and MD								
2021	23-Sep-20	23-Sep-23	23-Sep-23	**A$0.071**	**A$0.139**	**A$0.048**	**6,505,703**	**55,125**
Mr Lewis, CFO								
2021	23-Sep-20	23-Sep-23	23-Sep-23	**A$0.071**	**A$0.139**	**A$0.048**	**5,473,052**	**46,375**

In the current period, a share appreciation rights plan ("SAR") was adopted and approved by the Company directors. SAR expense is recognized on the current period accounting value of the plan. Realized remuneration will occur only when all vesting conditions are met.

Vesting conditions:
(a) 25% compounded annual growth rate ("CAGR") on the opening share price over of a three-year term. Opening price is determined as the 20-day volume weighted average price ("VWAP") from the lodgement of the annual report. Fully vested target price is defined as the 20-day VWAP from lodgement of the annual report three years after. Partial vesting begins at 10% CAGR and pays 33% of the total SAR grants. CAGR achieved between 10% and 25% vest SAR grants on a linear scale between 33% and 100%.
(b) Continued employment through the vesting date.

Vested Rights:
(a) Participants are entitled to the amount by which the closing share price exceeds the opening share price.
(b) Shares will be issued in the amount equal to the value in (a) divided by the share closing share price.

Options:
No options were granted to directors during the reportable financial years. The movement in the number of options held by the KMP's, including their personally related parties, are set out below:

	Balance at start of year	Granted	Exercised	Expired	Balance at end of year	Vested and exercisable
BGen Cheney						
2021	**750,000**	**-**	**-**	**(750,000)**	**-**	**-**
2020	750,000	-	-	-	750,000	750,000

Shares:

The value of shares issued or agreed to be issued in lieu of salary during the year was 50,181 (2020: 50,012) which was calculated based on an issue price of A$0.0598 and was approved at the 2020 Annual General Meeting on 13 November 2020. The issue price represents volume weighted average closing price of shares on ASX in the fourteen trading days prior to 04 November 2020. The movement in the number of shares held by the KMP, including their personally related parties, are set out below:

2021	Balance at start of year	Granted as remuneration in lieu of salary	Granted as remuneration in lieu of salary Not yet issued	Received on conversion of performance rights	Other changes	Balance at end of year
Non-Executive Directors						
Mrs Garnon	**2,206,170**	**828,185**	**(148,676)**	**-**	**(102,221)**	**2,783,458**
BGen Cheney	**422,248**	**538,620**	**(96,939)**	**-**	**-**	**863,929**
Mr Moore	**71,145,234**	**-**	**-**	**-**	**5,000,000**	**76,145,234**
Dr Stenson	**-**	**-**	**-**	**-**	**-**	**-**
Total Directors	**73,773,652**	**1,366,805**	**(245,615)**	**-**	**4,897,779**	**79,792,621**
Managing Director						
Dr Brookins	**4,719,662**	**-**	**-**	**471,213**	**-**	**5,190,875**
Total Managing Director	**4,719,662**	**-**	**-**	**471,213**	**-**	**5,190,875**
Executives						
Mr Lewis	**179,277**	**-**	**-**	**273,198**	**-**	**452,475**
Mr Reihman	**168,072**	**-**	**-**	**250,652**	**-**	**418,724**
Total Executives	**347,349**	**-**	**-**	**523,850**	**-**	**871,199**
Total KMP	**78,840,663**	**1,366,805**	**(245,615)**	**995,063**	**4,897,779**	**85,854,695**

1 Other changes in shares held by KMP include reconciliation of shares purchased in Jan 2020 Rights Issue and shares granted as remuneration in lieu of salary not yet issued on 30 June 2020

2020	Balance at start of year	Granted as remuneration in lieu of salary	Granted as remuneration in lieu of salary Not yet issued	Received on conversion of performance rights	Other changes	Balance at end of year
Non-Executive Directors						
Mrs Garnon	227,159	312,344	-	-	1,666,667	2,206,170
BGen Cheney	219,225	203,023	-	-	-	422,248
Mr Moore	-	-	-	-	71,145,234	71,145,234
Ms Poll	28,572	-	-	-	333,333	361,905
Total Directors	474,956	515,367	-	-	73,145,234	74,135,557
Managing Director						
Dr Brookins	3,120,000	-	-	619,262	980,400	4,719,662
Total Managing Director	3,120,000	-	-	619,262	980,400	4,719,662
Executives						
Mr Lewis	-	-		179,277	-	179,277
Mr Reihman	-	-	-	168,072	-	168,072
Total Executives	-	-	-	347,349	-	347,349

G. Additional Disclosures Relating to KMP

The interests of the Directors and other KMP of the Company in the shares and options is set out below:

	No. of ordinary shares	No. of performance rights	No. of share appreciation rights
Non-Executive Directors			
Mrs Garnon	**2,783,458**	-	-
BGen Cheney	**863,929**	-	-
Mr Moore	**76,145,234**	-	-
Dr Stenson	-	-	-
Total Directors	**79,792,621**	-	-
Managing Director			
Dr Brookins	**5,190,875**	**610,763**	**6,505,703**
Total Managing Director	**5,190,875**	**610,763**	**6,505,703**
Executives			
Mr Lewis	**452,475**	**367,115**	**5,473,052**
Total Executives	**452,475**	**367,115**	**5,473,052**
Total Directors and Executives	**85,435,971**	**977,878**	**11,978,755**

H. Loans to KMP

No loans have currently been provided to KMP of the Company.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION/WARRANT

As at the date of this report there were 3,829,787 unlisted options and warrants (2020: 5,329,787).

Details of these options are as follows:

Date Options Granted	Expiry Date	Exercise price of shares	No. under options
31-Dec-19	29-Mar-23	A$ 0.06	3,829,787

No option/warrant holder has any right under the options/warrants to participate in any other share issue of the Company or any other entity. The options/warrants are exercisable at any time after vesting and on or before the expiry date. Refer to Note 16 for details of the movements of the options during the year and ASX announcements for options exercised after the year end and to the date of this report.

The performance rights granted were Nil (2020: 1,286,182) for the reporting period. These rights have been allocated to staff based on the rules set forth in the performance rights plan.

INSURANCE OF OFFICERS

During the reporting period, the Company paid a premium in respect of a contract ensuring the Directors and Officers of the Company against a liability incurred as a Director or Officer to the extent permitted by the Corporations Act 2001 (Cth). Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING OFF AMOUNTS

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

INDEMNITY OF AUDITORS

The Company has agreed to indemnify their auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that Alexium will meet the full amount of any such liabilities including a reasonable amount of legal costs.

NON-AUDIT SERVICES

The Company's auditor, Grant Thornton Audit Pty Ltd corporate tax group has provided services to the Company beginning with the tax year ending 30 June 2021. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001.*

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is attached.

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

Rosheen Garnon

Rosheen Garnon
Chair
Dated 27 August 2021

GrantThornton

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Auditor's Independence Declaration

To the Directors of Alexium International Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alexium International Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 27 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 June 2021

	Note	30-Jun-21 US$	30-Jun-20 US$
Revenue	3	**7,276,399**	6,078,857
Cost of sales		**(4,634,492)**	(3,765,758)
Gross Profit		**2,641,907**	2,313,099
Other income	3	**921,315**	-
Administrative expenses	4	**(2,868,073)**	(3,000,901)
Sales and marketing expenses		**(1,058,579)**	(935,575)
Occupancy expenses		**(520,014)**	(553,061)
Research and development costs		**(814,220)**	(353,285)
Other expenses		**(116,287)**	(182,525)
Operating expenses		**(5,377,173)**	(5,025,347)
Loss before finance costs		**(1,813,951)**	(2,712,248)
Interest expense		**(681,865)**	(1,882,358)
Gain/ (Loss) on debt extinguishment	15	**-**	(1,522,003)
Gain/ (Loss) on embedded derivative	15	**1,043,912**	(27,523)
Interest earned	3	**6,585**	18,656
Total finance costs		**368,632**	(3,413,228)
Loss before tax		**(1,445,319)**	(6,125,476)
Tax expense	7	**-**	-
Loss for the year after tax		**(1,445,319)**	(6,125,476)
Other comprehensive income - Exchange differences on translation of foreign operations which may subsequently be reclassified to profit or loss		**(233,646)**	(188,947)
Total comprehensive loss for the year		**(1,678,965)**	(6,314,423)
Loss for the year attributable to members of the group		**(1,445,319)**	(6,125,476)
Total comprehensive loss for the year attributable to members of the group		**(1,678,965)**	(6,314,423)
Basic and diluted loss per share (cents)	8	(0.23)	(1.26)

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

	Note	**30-Jun-21**	30-Jun-20
	Note	**US$**	US$
Current Assets			
Cash and cash equivalents	18	**2,932,673**	4,741,251
Trade and other receivables	9	**1,367,592**	979,680
Inventories	10	**1,224,090**	921,554
Other current assets		**74,843**	41,500
Total Current Assets		**5,599,198**	6,683,985
Non-Current Assets			
Other financial assets		**17,681**	17,682
Property, plant and equipment	11	**1,055,780**	1,095,886
Intangible assets	12	**2,961,411**	2,678,615
Right of use asset	11	**846,106**	1,194,166
Total Non-Current Assets		**4,880,978**	4,986,349
Total Assets		**10,480,176**	11,670,334
Current Liabilities			
Trade and other payables	13	**1,892,523**	905,514
Lease liabilities	14	**81,221**	136,753
Total Current Liabilities		**1,973,744**	1,042,267
Non-Current Liabilities			
Borrowings	15	**2,510,345**	2,440,230
Derivative liability	15	**949,126**	1,810,494
Lease liabilities	14	**868,564**	949,786
Total Non-Current Liabilities		**4,328,035**	5,200,510
Total Liabilities		**6,301,779**	6,242,777
Net Assets		**4,178,397**	5,427,557
Equity			
Contributed equity	16	**66,265,398**	65,943,807
Reserves		**(1,694,804)**	(927,236)
Accumulated losses		**(60,392,197)**	(59,589,014)
Total Equity		**4,178,397**	5,427,557

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

	Contributed equity $	Options & Warrants Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2020	**65,943,807**	**726,070**	**113,569**	**(1,766,875)**	**(59,589,014)**	**5,427,557**
Loss for the period	**-**	**-**	**-**	**-**	**(1,445,319)**	**(1,445,319)**
Foreign currency translation	**-**	**-**	**-**	**(233,646)**	**-**	**(233,646)**
Total comprehensive income / (loss)	**-**	**-**	**-**	**(233,646)**	**(1,445,319)**	**(1,678,965)**
Transactions with owners in their capacity as owners:						
Expiration of outstanding options	**-**	**(642,136)**	**-**	**-**	**642,136**	**-**
Issued capital	**-**	**-**	**-**	**-**	**-**	**-**
Capital raising costs	**(17,364)**	**-**	**-**	**-**	**-**	**(17,364)**
Share appreciation rights expense			**141,876**			**141,876**
Performance rights issued	**-**	**-**	**79,907**	**-**	**-**	**79,907**
Performance rights exercised	**113,569**	**-**	**(113,569)**	**-**	**-**	**-**
Share-based payment in lieu of salary	**74,250**	**-**	**-**	**-**	**-**	**74,250**
Share-based payment for services	**151,136**	**-**	**-**	**-**	**-**	**151,136**
Balance at 30 June 2021	**66,265,398**	**83,934**	**221,783**	**(2,000,521)**	**(60,392,197)**	**4,178,397**

	Contributed equity $	Options & Warrants Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2019	54,367,832	5,634,968	1,021,204	(1,577,928)	(59,063,080)	382,996
Loss for the period	-	-	-	-	(6,125,476)	(6,125,476)
Foreign currency translation	-	-	-	(188,947)	-	(188,947)
Total comprehensive income / (loss)	-	-	-	(188,947)	(6,125,476)	(6,314,423)
Transactions with owners in their capacity as owners:						
Reclass to accumulated losses	-	(4,992,832)	(606,710)	-	5,599,542	-
Issued capital	11,768,661	-	-	-	-	11,768,661
Capital raising costs	(634,502)	-	-	-	-	(634,502)
Performance rights issued	-	-	113,569	-	-	113,569
Performance rights exercised	427,199	-	(427,199)	-	-	-
Share-based payments	14,617	-	12,705	-	-	27,322
Warrants outstanding	-	83,934	-	-	-	83,934
Balance at 30 June 2020	65,943,807	726,070	113,569	(1,766,875)	(59,589,014)	5,427,557

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

	Note	2021 US$	2020 US$
Cash flow from operating activities			
Receipts from customers and other income		**7,041,916**	6,422,456
Payments to suppliers and employees		**(8,136,774)**	(8,762,060)
Interest received		**5,586**	18,656
Interest and other costs of finance paid		**(330,539)**	(906,208)
Goods & services tax received from ATO		**28,044**	52,021
Net cash flows (used in) operating activities	18(b)	**(1,391,766)**	(3,175,135)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(112,463)**	(102,281)
Payments for development costs		**(774,033)**	(1,098,264)
Proceeds from disposal of property, plant and equipment		**4,945**	430
Net cash flows (used in) investing activities	18(c)	**(881,552)**	(1,200,115)
Cash flows provided by financing activities			
Proceeds from issue of ordinary shares		**-**	11,768,661
Proceeds from borrowings		**468,427**	4,071,918
Transaction costs related to issues of shares		**(2,189)**	(634,502)
Transaction costs related to issues of convertible notes		**-**	(111,952)
Repayment of borrowings		**(143,265)**	(9,587,714)
Net cash flows from/(used in) financing activities		**322,973**	5,506,411
Net increase / (decrease) in cash and cash equivalents		**(1,950,345)**	1,131,162
Cash and cash equivalents at beginning of year		**4,741,251**	3,843,343
Effect of exchange rate changes on cash and cash equivalents		**141,767**	(233,254)
Cash and cash equivalents at end of year	18(a)	**2,932,673**	4,741,251

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

1. CORPORATE INFORMATION

The consolidated financial statements of Alexium International Group Limited and its subsidiaries (collectively 'Company') for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 August 2021. Alexium International Group Limited ('Parent') is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange under the trading AJX. These financial statements include the consolidated financial statements and notes of Alexium International Group Limited and its controlled entities. This financial report, the comparative period within, and all future financial reports, are presented in US Dollars. This presentation aligns the Company's financial reporting with the nature of the business operations which primarily occur in the United States. The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 (Cth). The Company is a for-profit entity for the purpose of preparing the financial statements. 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 accrual basis and are based on historical costs, modified where applicable by the measurement at fair value. 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 (Cth), however, required financial information for the Company as an individual entity is included in Note 23.

(b) New and amended standards adopted by the Company in this financial report

There were no new or revised Standards and Interpretations issued by the AASB that were adopted by the Company that are relevant to its operations and effective for the reporting period.

(c) Impact of standards issued but not yet applied by the Company

There will be no new or revised Standards and Interpretations issued by the AASB that will be adopted by the Company that are relevant to its operations and effective for the upcoming reporting period.

(d) Company Accounting Policies

Fair Value of Assets and Liabilities

The Company 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 Australian Accounting Standard. Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. 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 (i.e. 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 (i.e. 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 Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company 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 Company are consistent with one or more of the following valuation approaches:

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

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 Company 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: *Fair value measurement* 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.
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 Company 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 Company 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.

(e) Principles of Consolidation
The consolidated financial statements incorporate all assets, liabilities, and results of the Company. 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 can 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 Company from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Company 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 Company.

Equity interests in a subsidiary not attributable, directly, or indirectly, to the Company are presented as “non-controlling interests". The Company 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. After initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(f) Foreign currency translation
The consolidated financial statements are presented in United States Dollars ($). The functional currency of the Parent is Australian Dollar (A$) and the functional currencies of the subsidiaries are the Pound Sterling and the US 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 reporting date and exchange differences are recognised in profit or loss.

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. All resulting exchange differences are recognised on other comprehensive income.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised on other comprehensive income.

On disposal of a foreign entity, the cumulative exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

(g) Property, plant, and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Leased assets

Right-of-use assets under lease agreements are initially measured at the present value of future lease payments using an incremental borrowing rate. Book value is stated as net present value less accumulated depreciation. Upon completion of the certain finance lease terms, ownership of the subject asset is transferred to the Company which begins recognition as property, plant, and equipment.

Subsequent costs

The Company 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.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each asset.

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

Asset Type	Years
Computer equipment	3 years
Machinery and equipment	3 to 15 years
Furniture, fixtures and office equipment	3 to 10 years
Leased plant and equipment	Shorter of the lease term or the useful life

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

(h) Intangible assets

Acquired intangible assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, which is considered five years, as these assets are considered finite. Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Internally Generated Intangible Assets

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred. Expenditure on the research phase of projects to develop new specialty chemicals is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- Development costs can be measured reliably;
- Project is technically and commercially feasible,
- The Company intends to and has sufficient resources to complete the project,
- The Company has the ability to use or sell the asset; and
- The asset will generate probable future economic benefits.

Costs directly attributable to capitalised development include employee expenses incurred on technology development, external testing fees, and product trial costs. Costs not meeting these criteria are expensed as incurred. The ultimate recoupment of costs carried forward for capitalised development is dependent on the successful development and commercialisation of the Company's technology. Any internally generated asset that is not yet complete and not fully amortised is subject to impairment testing.

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 expenditures are expensed as incurred.

Amortisation

Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each annual reporting date. Capitalised development costs, patents, and trademarks with a finite life are amortised based on estimated future economic life. Amortisation charges are included as an expense in the consolidated statement of profit or loss and other comprehensive income.

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. The useful lives of 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 profit or loss. Intangible assets are tested for impairment where an indicator of impairment exists. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

(i) Impairment of assets

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

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

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

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less any expected credit losses (ECL) determined under the simplified approach to accounting for trade and other receivables as detailed in AASB 9. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

(k) Determination and presentation of operating segments

For management purposes, the Company is organised into one main operating segment which involves the development and commercialisation of its proprietary flame retardant and phase change material technologies and selling its specialised chemistry to customers. All the Company's activities are interrelated, and discrete financial information is reported to the Chief Executive Officer as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The Company has applied *AASB 8 Operating Segments* from 01 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 Company 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 Company's other components. An operating segment's 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 a single operating segment.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand and short-term deposits. 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.

(m) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)
The Company accounts for financial assets at FVOCI if the assets meet the following conditions:
- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset. The Company does not have any financial assets categorised as FVOCI.

Impairment of financial assets
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the ECL model included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is not dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. At the reporting date expected lifetime credit losses are Nil.

Classification and measurement of financial liabilities
The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(n) Embedded Derivative
The Company has issued liability classified embedded derivatives in connection with its convertible debt. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary

in a way like a standalone derivative. The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

(o) Trade and other payables
Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company 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.

(p) Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) because 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 Company 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. Provisions are discounted to their present values, where the time value of money is material.

(q) 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.

(r) Revenue recognition
In accordance with the standard, revenue is recognised and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset [AASB 15.31] and no additional goods or services, warranties, repurchase agreements, or public return policies, or other limitations exist that that would not allow the Company to consider its performance completed at this time of transfer. The Company considers the transfer complete in line with "FOB Shipping Point" Incoterms and recognises the completion of this performance obligation when the finished product is shipped at which time revenue is recognised.

Sale of goods
Revenue is recognised at a specific point in time and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. AASB 15 - Revenue from Contracts with Customers outlines the accounting requirements for when and how revenue is recognised using one core principle: "Recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. "This is accomplished by using a 5-step recognition process consisting of the following:

1.) *Identify the contract* - The Company utilises a set of criteria to clearly identify the existence of contracts with customers, which includes contract approval by both parties, identification of each parties' rights and commitments, determination of payment terms, presence of commercial substance and a probability consideration will be collected.

2.) *Identify the performance obligations* - The Company has identified the sole performance obligation of customer contracts to be the complete transfer of the goods to the customer. In accordance with AASB 15.24, there are no additional goods or services, warranties, repurchase agreements, or public return policies, or other limitations of the seller that would not allow the Company to consider its performance completed at this time of transfer. The Company considers the transfer complete in line with "FOB Shipping Point" Incoterms and recognises the completion of this performance obligation when products are shipped.

3.) *Determine the transaction price* - The Company considers the transaction price to be the amount of consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. As and when a performance obligation is satisfied the Company recognises revenue to the extent of the transaction price allocated to that performance obligation considering the impact of constraints arising from variable consideration [AASB 15.46].

4.) *Allocate the transaction price to separate performance obligations* - Given that there is a single performance obligation to each contract, and the price is clearly identified in the contract, the Company allocates the full contract price to the transfer of goods discussed in Step 2, except for combined contracts noted as having variable consideration.

5.) *Recognise revenue when each obligation is satisfied* - at contract inception the Company has determined that the sole performance obligation is the complete transfer of goods to the customer. The Company must then determine the specific point in time at which it is appropriate to recognise revenue for the contract. AASB 15 states that an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following

- Company has a present right to payment for the asset;
- Customer has legal title to the asset;
- Company has transferred physical possession of the asset;

- Customer has the significant risks and rewards of ownership of the asset; and
- Customer has accepted the asset.

Management recognises that the application of the control criteria requires judgment and there are various factors to consider, as described above. Accordingly, management believes that control is transferred in accordance with the shipping terms, as this is the point in time that the customer obtains legal title, when customer obtains the risk and rewards of ownership, and when the customer has an obligation to pay for the asset. The standard discusses that an entity should consider whether there is any agreement to repurchase the asset transferred to the customer, or a component. This topic is not applicable to the Company as it is not the practice nor discussed in any contracts. Management recognises that contracts and arrangements could change as the Company enters new markets and expands its customer base. Management will continue to monitor any changes to ensure the accounting is in line with the context of AASB 15.

Interest and dividends
Interest income is recorded when earned based on cash balances. Interest expenses are reported on an accrual basis using the effective interest method. Dividends are recognised at the time the right to receive payment is established.

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

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

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. 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 is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per share
Basic earnings per share ('EPS') 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.

(u) Employee benefits
Termination benefits
Termination benefits are recognised as an expense when the Company 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 because of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company 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.

Long-Term Employee Benefits

The Company's liabilities for annual leave are included in other current liabilities. Any adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period, irrespective of when the actual settlement is expected to take place.

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled. There are no employee-benefit expenses recognised within cost of sales.

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) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: average cost; and
- Finished goods and work in progress: cost of direct materials and manufacturing charges from contract manufacturer.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(w) Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Share-based payments

The Company initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. The Company initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) and Black-Scholes option pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. The assessed fair values of the embedded derivatives were determined using a Black-Scholes option pricing model which approximates the results that would have been achieved by using a binomial lattice. The model considers the expected price volatility of the underlying instrument, expected dividend yield and the risk-free interest rate. The twelve-month share price history has been used to determine the expected price volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments. See Note 22(f) for further disclosures.

Intangible Assets

The Company assesses at initial recognition whether an internally developed asset has met the recognition requirements established in AASB 138 and measures the direct and indirect costs of development using several estimates and assumptions. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results, the determination of a suitable discount rate, and the appropriate classification of cash generating units. See Note 12 for further disclosures.

(x) Going Concern

These financial statements have been prepared based on going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The director's assessment is based on forecasted growth in commercial sales, which the Company expects to continue over the next twelve months.

During the financial year ended 30 June 2021, the Company generated a loss of 1,445,319 (2020: 6,125,476) and the Company has used cash in operating and investing activities of 2,273,318 (2020: 4,375,250). As of 30 June 2021, the Company had net assets of 4,178,397 (2020: 5,427,557) and a cash balance of 2,932,673 (2020: 4,741,251).

3. REVENUE & OTHER INCOME

Revenue is recognised at a specific point in time and measured when the entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. Other income is exclusively the forgiveness of two borrowings received under the US CARES Act stimulus package. See Other Borrowings in Note 15 for details.

	2021	2020
Sale of goods	**7,457,229**	6,422,859
Rebates	**(180,830)**	(344,002)
Total	**7,276,399**	6,078,857
Interest earned	**6,585**	18,656
Other income	**921,315**	-

4. ADMINISTRATIVE EXPENSES

	2021	2020
Employee benefits expense	**2,103,142**	2,168,879
Professional fees	**398,910**	482,245
Other administrative expenses	**153,172**	146,949
Insurance expenses	**212,849**	177,080
Amortisation	**-**	25,748
Total	**2,868,073**	3,000,901

5. DEPRECIATION AND AMORTISATION EXPENSE

	2021	2020
Depreciation	**423,055**	430,526
Amortisation	**487,915**	158,041
Total	**910,970**	588,567

6. AUDITORS' REMUNERATION

	2021	2020
Amount received or due and receivable by Grant Thornton Australia for:		
(a) an audit or review of the financial report of the Company	**103,450**	141,770
(b) Tax compliance services in relation to the entity and any other entity in the Company	**13,352**	7,954
(b) Other services in relation to the entity and any other entity in the Company	**6,420**	7,132
Total auditor remuneration	**123,222**	156,856

7. TAXATION

	2021	2020
(a) Income tax recognised in profit and loss		
Profit /(loss) before tax	**(1,445,319)**	(6,125,476)
Prima facie tax on operating loss before income tax at 30.0%	**(433,596)**	(1,837,643)
Deferred tax asset not recognised		
Temporary differences not recognized	**(147,956)**	(387,962)
Tax effect of permanent differences:		
Other	**(181,912)**	558,706
Meals and entertainment	**-**	3,216
Interest on convertible note	**66,505**	329,749
Fair value movement	**(294,536)**	8,196
Share-based payments expense	**-**	-
Effective interest on convertible note	**100,090**	-
Differences in jurisdictional tax rates	**134,269**	235,152
Tax losses not brought to account	**757,136**	1,090,586
Income tax benefit attributable to reversal of deferred tax liability on intangible assets	**-**	-
(b) Deferred tax assets		
Deferred tax assets at 30 June brought to account:		
Accrued expenses	**-**	25,909
Expenses deducted over 5 years	**-**	58,734
Income tax losses	**683,707**	2,021,908
	683,707	2,106,551
(c) Deferred tax liability		
Unrealised FX	**683,707**	1,575,652
Basis difference on fixed assets	**-**	530,899
	683,707	2,106,551
(d) Net deferred tax position		
Deferred tax assets	**683,707**	2,106,551
Deferred tax liabilities	**683,707**	2,106,551
Net deferred tax position	**-**	-
(e) Deferred tax assets not recognised		
Unrealised FX	**1,223,806**	-
Accrued and prepaid expenses	**101,422**	58,840
Other	**60,656**	23,587
Fixed assets	**3,957**	-
263A costs	**2,072**	1,271
Expenses deducted over 5 years	**32,347**	-
Charitable contributions	**-**	20,107
Income tax losses	**11,727,227**	9,255,446
Net deferred tax position	**13,151,487**	9,359,251

No income tax is payable by the Company. The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised. The Company has estimated unrecouped income tax losses of 64,480,646 (2020: 52,753,419) 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 in future periods. Deferred tax assets and liabilities which relate to income taxes levied by the same taxation authority are offset where the Company intends to settle those tax assets and liabilities on a net basis.

8. 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.

	2021	2020
Weighted average number of ordinary shares	**637,295,944**	486,421,703
Basic loss ($)	**(1,445,319)**	(6,125,476)
Basic / Diluted loss per share (cents)	**(0.23)**	(1.26)

The above 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
As the Company has incurred a loss for the year, the diluted earnings per share is therefore disclosed as the same as the basic earnings per share.

	2021 Number	2020 Number
Options over ordinary shares	**-**	1,500,000
Warrant options	**3,829,787**	3,829,787
Performance rights	**915,625**	1,286,182
Total	**4,745,412**	6,615,969

9. TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables	**1,357,413**	944,496
Other receivables	**10,179**	35,184
Total	**1,367,592**	979,680

None of the trade and other receivables are past due or impaired. All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

10. INVENTORIES

	2021	2020
Raw materials	**734,583**	500,566
Finished goods	**492,493**	426,453
Provision for obsolescence	**(2,986)**	(5,465)
Total	**1,224,090**	921,554

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and equipment	Right-of-use equipment	Right-of-use building	Total
Balance at 30 June 2019	1,692,151	1,006,817	-	2,698,968
Initial application of AASB 16	-		902,952	902,952
Additions	94,122	-	-	94,122
Disposals	(62,597)	-	-	(62,597)
Transfers	328,876	(328,876)	-	-
Balance at 30 June 2020	2,052,552	677,941	902,952	3,633,445
Additions	**95,374**	**-**	**-**	**95,374**
Disposals	**(18,381)**	**(164,142)**	**-**	**(182,523)**
Transfers	**194,122**	**(194,122)**	**-**	**-**
Balance at 30 June 2021	**2,323,667**	**319,677**	**902,952**	**3,546,296**

Depreciation and impairment				
Balance at 30 June 2019	594,114	377,853	-	971,967
Initial application of AASB 16	-	-	-	-
Depreciation	199,394	121,683	109,449	430,526
Disposals	(59,100)	-	-	(59,100)
Transfers	222,258	(222,258)	-	-
Balance at 30 June 2020	956,666	277,278	109,449	1,343,393
Depreciation	**217,874**	**95,733**	**109,449**	**423,056**
Disposals	**(18,086)**	**(103,953)**	**-**	**(122,039)**
Transfers	**111,433**	**(111,433)**	**-**	**-**
Balance at 30 June 2021	**1,267,887**	**157,625**	**218,898**	**1,644,410**

Net book value				
At 30 June 2019	1,098,037	628,964	-	1,727,001
At 30 June 2020	1,095,886	400,663	793,503	2,290,052
At 30 June 2021	**1,055,780**	**162,052**	**684,054**	**1,901,886**

12. INTANGIBLE ASSETS

Cost	Patents and trademarks	Capitalised development costs	Software	Total
Balance at 30 June 2019	40,522	1,686,291	75,377	1,802,190
Additions	-	1,098,264	-	1,098,264
Disposals	-	-	(40,000)	(40,000)
Balance at 30 June 2020	40,522	2,784,555	35,377	2,860,454
Additions	**-**	**774,033**	**-**	**774,033**
Disposals	**(40,522)**	**-**	**(35,377)**	**(75,899)**
Balance at 30 June 2021	**-**	**3,558,588**	**-**	**3,558,588**

Amortization and impairment				
Balance at 30 June 2019	10,493	1,583	11,630	23,706
Amortisation	25,748	108,546	23,747	158,041
Disposals	-	-	-	-
Foreign exchange movements	92	-	-	92
Balance at 30 June 2020	36,333	110,129	35,377	181,839
Amortisation	**-**	**487,914**	**-**	**487,914**
Disposals	**(36,333)**	**(866)**	**(35,377)**	**(72,576)**
Balance at 30 June 2021	**-**	**597,177**	**-**	**597,177**
Net book value				
At 30 June 2019	30,029	1,684,708	63,747	1,778,484
At 30 June 2020	4,189	2,674,426	-	2,678,615
Balance at 30 June 2021	**-**	**2,961,411**	**-**	**2,961,411**

Impairment testing for intangible assets

Intangible assets are tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

An asset is impaired when the carrying amount exceeds the recoverable amount. When this occurs an impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. Management has used AASB 136 Impairment of Assets as the basis for impairment testing.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use and has been determined for assets not being amortised. To determine recoverable amount, management have used a fair value less costs of disposal approach. The fair value has been calculated using a replacement costs methodology through a cost model.

Management has set out to determine the replacement cost of the technology, which approximates the price that would be received for the asset based on the cost to a market participant to acquire or construct a substitute asset of comparable utility. In constructing a replacement cost assessment, the Company considered all necessary components required for a market participant to construct an asset of comparable utility. These costs include, internal development expenses (employee costs), analytical equipment, external testing and trial fees, and research lab overhead. The determined replacement value under the cost method, indicates there is no impairment on the asset.

For assets ready for use and being amortised, management has assessed for indications of impairment according to AASB 136 paragraphs 12-14, which include considerations of external and internal sources of information. The series of indications management considered included: significant changes with adverse effects having taken place, evidence of obsolescence, evidence of economic performance being worse than expected, and other observable indications that an assets value has declined significantly during the period. No impairment loss has been recognised for the reporting period.

13. TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	**1,331,437**	230,846
Other payables	**522,324**	639,159
Interest payable	**38,762**	35,509
Total	**1,892,523**	905,514

Trade and other payable amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days or recognition.

14. LEASE LIABILITIES

	2021	2020
Lease payments during the period:		
Principal payments	**146,249**	178,319
Interest	**99,549**	112,899
Variable lease payments not included in measurement of lease liability	**33,713**	33,081
Total	**279,511**	324,299
Minimum future rental payments under non-cancellable leases:		
Current	**169,672**	235,484
Non-current	**1,115,585**	1,285,257
Total	**1,285,257**	1,520,741
Present value of future minimum rental payments under leases:		
Current commitments:		
Lease liability	**81,221**	136,753
Finance charges	**88,452**	98,731
Total	**169,673**	235,484
Non-current commitments:		
Lease liability	**868,564**	949,786
Finance charges	**247,021**	335,471
Net present value	**1,115,585**	1,285,257
Total	**1,285,258**	1,520,741

The Company leases facilities, office and lab equipment, and IT infrastructure under various agreements. These assets are used for administration and operational activities with remaining lease terms of 1-7 years. Where a right to control an asset specified in a lease agreement exists, the Company recognises a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Lease liabilities are recognised similarly to financial liabilities with cash repayments recorded into a principal portion and an interest portion and presents them as such in the statement of cash flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-variable lease payments expected to be incurred for the term of the lease. The term of the lease is determined by reference to non-cancellable periods and those periods subject to exercise of an option, where that option is considered reasonably certain to be exercised.

15. BORROWINGS

	2021	2020
Convertible note carrying value	**2,510,345**	1,979,878
Other borrowings	**-**	460,352
Principal balance outstanding	**2,510,345**	2,440,230

Convertible note

On 24 December 2019, the Company entered a convertible note, secured by the Company's assets, with an institutional lender. The $3.5 million (A$5.15M) note carries a four-year term and 6.0% annual interest rate with coupon interest payments due quarterly. The note is convertible into ordinary shares at the holder's discretion and with shareholder approval. The proceeds from the funding were used to pay down the loan facility originated on 30 September 2017, which carried a higher interest rate and was due to expire on 30 September 2020.

The Borrowings have been measured at amortised cost in accordance with AASB 9 and gain or loss is recognised in profit or loss through the amortisation process and when the borrowings are derecognised. The Company allocates interest payments over the term of the borrowings at a constant rate on the carrying value. The carrying balance over the remaining life of the facility will increase to the current principal balance of $3.9 million.

	2021	2020
Convertible note carrying value	**2,510,345**	1,979,878
Remaining amortisation of effective interest	**1,101,222**	1,631,688
Foreign currency exchange rate impact	**254,060**	(70,370)
Principal balance outstanding	**3,865,627**	3,541,197

Other borrowings

On 06 May 2020, the Company was granted a loan in the amount of 460,352 funded by the Small Business Administration and administered by Wells Fargo. Under Division A, Title I of the CARES Act enacted 27 March 2020. The program called Paycheck Protection Program was created with the goal to support small businesses during the COVID-19 pandemic. On 29 January 21, the Company received a second loan in the amount of 468,428 under a new phase of the economic stimulus package.

Under the program, loans were designed to be up to 100% forgivable if the borrower maintains employment levels and payrates over the selected covered period. After submission of all necessary documentation, the loan that originated on 06 May 2020 was fully forgiven on 15 April 2021. At the forgiveness date, the Company recognised the forgiven principal balance as Other Income in accordance with the AASB 120 Accounting for Government Grants and Disclosing Government Assistance.

Forgiveness has not been applied for on the loan originated on 29 January 2021 as of the close of the reporting period. However, based on the forgiveness of the first loan and an understanding of the terms of the program, the Company has determined there is "reasonable assurance that the entity will comply with the conditions attaching to it" and therefore this second loan will also be forgiven. The Company has adopted the income approach to presentation as all related expenses intended to be compensated for fall in the current reporting period and all conditions and contingencies have been fulfilled. The Company has recognised the full balance of the loan as Other Income on 30 June 2021 in accordance with the AASB 120. No other forms of government assistance have been received.

Derivative liability

The current and previous borrowings are considered hybrid instruments with host and derivative liability components. When initially recorded the derivative is measured at fair value and separated from the host liability. Subsequently changes in value are recorded in profit or loss upon revaluation. This has been valued using a Black-Scholes option pricing model. Pricing model inputs of the current derivative include exercise price (A$0.075), risk-free rate (0.350%), remaining term (2.5 years) and volatility (82.2%).

	2021	2020
Derivative liability	**949,126**	1,810,494
Gain/ (Loss) on embedded derivative	**1,043,912**	(27,523)

Loss on debt extinguishment

The previous loan with a 9,000,000 balance was paid in full on 31 December 2019 and was measured at the amortised cost using the effective interest method. The residual value was amortised to face value over the life of the note. On extinguishment, the liability was derecognised and the difference between the carrying amount of the extinguished liability and the consideration paid is recognised in profit or loss. The attached embedded derivative liability is also derecognised and netted against the residual value of the host liability and the consideration paid.

	2021	2020
Gain/ (Loss) on debt extinguishment	**-**	(1,522,003)

16. CONTRIBUTED EQUITY

	2021 Shares	2020 Shares	2021 $	2020 $
(a) Issued capital				
Ordinary shares fully paid	**640,197,246**	634,456,542	**66,265,398**	65,943,807
(b) Movement in share capital				
Balance at 01 July	**634,456,542**	345,443,598	**65,943,807**	54,367,832
Capital raising	-	285,727,610	-	11,768,661
Costs of capital raising	-	-	**(17,364)**	(634,502)
Conversion of performance rights	**1,286,181**	2,068,366	**113,569**	331,213
Share-based payments	**4,454,523**	1,216,968	**225,386**	110,603
Balance at 30 June	**640,197,246**	634,456,542	**66,265,398**	65,943,807
(c) Movements in performance rights				
Balance at 01 July	**1,286,182**	2,989,775	**113,569**	414,501
Granted not yet vested- Not Issued at 01 July	**1,705,978**	1,971,163	**127,654**	226,352
Granted in lieu of director's fees	-	140,554	-	12,705
Converted to shares	**(1,286,181)**	(3,130,334)	**(113,569)**	(427,213)
Forfeited	**(479,903)**	(238,480)	**(37,330)**	(27,378)
Granted	-	1,259,482	-	42,256
Granted not yet vested at 30 June	**(310,451)**	(1,705,978)	**(10,417)**	(127,654)
Balance at 30 June	**915,625**	1,286,182	**79,907**	113,569

(d) Share appreciation rights ("SAR")

	Grant Date	Vesting Date	Expiry Date	Opening Price	Full Vesting Target Price	FV at Grant	Open Balance	SARs Granted	SARs Forfeited	SARs Outstanding
2021	23-Sep-20	23-Sep-23	23-Sep-23	**A$0.071**	**A$0.139**	**A$0.048**	-	**17,357,031**	**(1,206,107)**	**16,150,924**

The plan was adopted and approved by the board of directors to replace the performance rights plan.

The objective of the plan is to:
(a) provide an incentive and to reward, retain and motivate participants.
(b) recognise the abilities, efforts, and contributions of participants to the performance and success of the Group; and
(c) provide participants with the opportunity to acquire or increase their ownership interest in the Group.

Vesting conditions:
(a) 25% compounded annual growth rate ("CAGR") on the opening share price over of a three-year term. Opening price is determined as the 20-day volume weighted average price ("VWAP") from the lodgement of the annual report. Fully vested target price is defined as the 20-day VWAP from lodgement of the annual report three years after. Partial vesting begins at 10% CAGR and pays 33% of the of the total SAR grants. CAGR achieved between 10% and 25% vest SAR grants on a linear scale between 33% and 100%.
(b) Continued employment through the vesting date.

Vested Rights:
(a) Participants are entitled to the amount by which the closing share price exceeds the opening share price.
(b) Shares will be issued in the amount equal to the value in (a) divided by the share closing share price.

All eligible employees are offered SARs. The award is calculated by multiplying a defined percentage by the fixed component of compensation.

(e) Share options issued

At year-end there were Nil free attaching options outstanding (2020: Nil) and Nil share-based payment options outstanding (2020: 1,500,000). Warrants issued under the extinguished convertible note and previously recognised as a derivative liability were transferred to the option reserve account at the payoff date.

(f) Movements in share options

	Grant Date	Exercise Price	Expiry date	Balance at start of year	Granted	Exercised	Expired	Balance at end of year
2021								
Unlisted options	01-Oct-15	$0.75	30-Sep-20	**1,500,000**	**-**	**-**	**(1,500,000)**	**-**
Warrants	31-Dec-19	$0.06	29-Mar-23	**3,829,787**	**-**	**-**	**-**	**3,829,787**
Total				**5,329,787**	**-**	**-**	**(1,500,000)**	**3,829,787**
2020								
Unlisted options	01-Oct-15	$0.75	30-Sep-20	1,500,000	-	-	-	1,500,000
Unlisted options	04-Nov-16	$0.75	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	$1.25	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	$1.75	04-Nov-19	300,000	-	-	(300,000)	-
Warrants	31-Dec-19	$0.06	29-Mar-23	-	3,829,787	-	-	3,829,787
Total				2,400,000	3,829,787	-	(900,000)	5,329,787

(g) Details of share options

	2021			2020		
	Number	**WAEP[1]**	**WARCL[2]**	Number	WAEP	WARCL
Outstanding at 01 July	**5,329,787**	**0.25**	**2.04**	2,400,000	0.94	0.91
Granted	**-**	**-**	**-**	3,829,787	0.04	1.97
Exercised	**-**	**-**	**-**	-	-	-
Expired	**(1,500,000)**	**(0.75)**	**-**	(900,000)	(1.25)	-
Outstanding at 30 June	**3,829,787**	**0.06**	**1.75**	5,329,787	0.25	2.04

(1) Weighted average exercise price

(2) Weighted average remaining contractual life

	2021			**2020**		
	Number	**Average fair value per option**	**$**	**Number**	**Average fair value per option**	**$**
a) Warrants	**3,829,787**	**0.01**	**52,922**	3,829,787	0.04	142,025
b) Directors	**-**	**-**	**-**	1,500,000	-	-
	3,829,787		**52,922**	5,329,787		142,025

(h) 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.

(i) Capital management

The Company's objectives in managing capital are to safeguard the Company'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.

17. SHARE-BASED PAYMENTS

The following is the summary of share-based payments expensed during the year:

	2021		2020	
	Number	**$**	Number	$
Shares in lieu of salary	**552,024**	**50,181**	526,523	50,012
Performance rights vested but not issued	**915,625**	**79,907**	1,286,182	113,569
Professional services	**1,879,629**	**82,321**	1,453,704	56,763
Total	**3,347,278**	**212,409**	3,266,409	220,344

In addition to the above table Share appreciation rights expensed during the year were $141,876 (2020: Nil). See Note 16 for vesting conditions and plan details.

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	2021	2020
Cash on hand	**2,932,673**	4,741,251

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

	2021	2020
Operating loss after income tax	**(1,445,319)**	(6,125,476)
Non-cash items:		
Depreciation and amortisation of non-current assets	**910,970**	588,567
Share-based payment	**354,285**	220,344
Amortisation on borrowings	**348,119**	1,084,075
Loss on debt extinguishment	**-**	1,522,003
(Gain) / Loss on fair value movement- embedded derivative	**(1,043,912)**	27,523
Loss on disposal of assets	**55,539**	2,694
Forgiveness of CARES Act PPP Loans	**(928,779)**	-
Changes in assets and liabilities net of effect of purchase of subsidiaries:		
(Increase) / Decrease in trade and other receivables	**(387,912)**	(17,657)
(Increase) / Decrease in inventories on hand	**(302,535)**	231,899
(Increase) / Decrease in other current assets	**(33,343)**	33,417
Increase / (Decrease) in trade and other payables	**1,136,655**	(708,304)
Increase / (Decrease) in other current liabilities	**(55,532)**	(34,221)
Net cash (used in) operating activities	**(1,391,764)**	(3,175,136)

(c) Reconciliation to net cash used in investing activities

	2021	2020
Property, plant, and equipment additions and proceeds from disposal	**90,429**	93,691
Intangible asset additions	**774,033**	1,098,264
Non-cash items		
Foreign exchange movement on transfers	**-**	-
(Increase) / Decrease in PPE payments	**17,089**	8,160
Net cash flows (used in) investing activities	**881,551**	1,200,115

19. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Colinton Capital Partners
During the period, 230,766 (2020: 333,904) was paid to Colinton Capital Partners, a related party of Simon Moore, Non-Executive Director

	2021	2020
Coupon interest on convertible note	**230,766**	105,381
Due Diligence	-	103,305
Underwriting fee	-	125,218
Total	**230,766**	333,904

20. SEGMENT REPORTING

The financial results from this segment are equivalent to the financial statements of the Company as a whole.

Geographic information of revenue and non-current assets excluding financial instruments are as follows:

2021	**Australia**	**US**	**Cyprus**	**Total**
Revenue	-	**7,276,399**	-	**7,276,399**
Interest received	-	-	-	-
Other income	-	**1,171,963**	**(250,648)**	**921,315**
Interest expense	**578,881**	**102,983**	-	**681,864**
Property, plant, and equipment	-	**1,055,780**	-	**1,055,780**
Right of use asset	-	**846,106**	-	**846,106**
Intangible assets	-	**2,961,411**	-	**2,961,411**
Depreciation and amortisation expenses	-	**910,970**	-	**910,970**

2020	**Australia**	**US**	**Cyprus**	**Total**
Revenue	-	6,078,857	-	6,078,857
Interest received	15,468	3,189	-	18,657
Other income	-	-	-	-
Interest expense	1,192,013	690,345	-	1,882,358
Property, plant, and equipment	-	1,095,886	-	1,095,886
Right of use asset	-	1,194,166	-	1,194,166
Intangible assets	-	2,675,292	3,323	2,678,615
Depreciation and amortisation	-	562,819	25,748	588,567

21. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	**Percentage Owned (ordinary shares)**	
		2021	2020
Parent Entity			
Alexium International Group Limited	Australia		
Subsidiaries of Alexium International Group Limited			
Alexium Limited	Cyprus	**100**	100
Alexium Inc.	USA	**100**	100

The parent entity has an interest free unsecured loan with Alexium Inc. amounting to 42,864,433 (2020: 42,523,293).

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Company 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.

The Company'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:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates			Non-Interest Bearing	Total
			< 1 Year	1-5 Years	5+ years		
	%	$	$	$	$	$	$
2021							
Financial Assets							
Cash and cash equivalents	**0.48**	**2,332,187**	**600,486**	**-**	**-**	**-**	**2,932,673**
Trade and other receivables/other financial assets	**-**	**-**	**-**	**-**	**-**	**1,367,592**	**1,367,592**
	-	**2,332,187**	**600,486**	**-**	**-**	**1,367,592**	**4,300,265**
Financial Liabilities							
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**1,892,523**	**1,892,523**
Lease liabilities	**9.80**	**-**	**169,672**	**852,186**	**263,399**	**-**	**1,285,257**
Convertible note	**6.00**	**-**	**-**	**3,611,566**	**-**	**-**	**3,611,566**
Derivative liability	**-**	**-**	**-**	**949,126**	**-**	**-**	**949,126**
	-	**-**	**169,672**	**5,412,878**	**263,399**	**1,892,523**	**7,738,472**
2020							
Financial Assets							
Cash and cash equivalents	0.27	3,503,515	1,237,736	-	-	-	4,741,251
Trade and other receivables/other financial assets	-	-	-	-	-	979,680	979,680
	-	3,503,515	1,237,736	-	-	979,680	5,720,931
Financial Liabilities							
Trade and other payables	-	-	-	-	-	905,513	905,513
Lease liabilities	9.60	-	235,484	1,004,491	280,766	-	1,520,741
Convertible note	6.00	-	-	3,611,566	-	-	3,611,566
Derivative liability	-			1,810,494	-	-	1,810,494
Other Borrowings	1.00	-	-	460,352	-	-	460,352
	-	-	235,484	6,886,903	280,766	905,513	8,308,666

(b) Interest rate risk

At 30 June 2021, 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 Company would have been a 29,327 increase (2020: 47,413 increase) based on cash and cash equivalents.

The 1% sensitivity is based on reasonable possible changes using an observed range of historical interest rate movements.

(c) Foreign currency risk

The Company currently conducts its operations across international borders. A large proportion of the Company's revenues, cash inflows, other expenses, capital expenditure and commitments are denominated in foreign currencies, mostly with costs and income in US dollars with smaller, less frequent transactions in GBP, Euros and Australian Dollars. 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 Company 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 Australian dollar and to a lesser degree UK pound sterling may impact on the Company's financial results. The following table shows the foreign currency risk on the financial assets and liabilities of the Company's operations denominated in currencies other than the functional currency of the operations.

	Net Financial Assets/(Liabilities) in USD			
	USD	**AUD**	**GBP**	**Total USD**
2021				
Australian dollar	**42,864,433**	**-**	**-**	**42,864,433**
US dollar	**-**	**(42,864,433)**	**-**	**(42,864,433)**
UK pound sterling	**-**	**-**	**-**	**-**
Statement of financial position exposure	**42,864,433**	**(42,864,433)**	**-**	**-**
2020				
Australian dollar	42,523,293	-	282,820	42,806,113
US dollar	-	(42,523,293)	(559,032)	(43,082,325)
UK pound sterling	559,032	(282,820)	-	276,212
Statement of financial position exposure	43,082,325	(42,806,113)	(276,212)	-

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

(d) Credit Risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company does not hold any credit derivatives to offset its credit exposure. The Company's exposure to credit risk is minimal. Total bad debt expense for the year was Nil. As the Company does not currently have any significant debtors, lending, stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(e) Liquidity risk

The Company manages liquidity risk by continuously monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasted cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day basis, as well as based on a rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or shortfalls.

The Company's non-derivative financial liabilities have contractual maturities as summarised below:

	Current	**1-5 Years**	**5+ years**
2021			
Trade and other payables	**1,892,523**	**-**	**-**
Lease liabilities	**169,672**	**852,186**	**263,399**
Borrowings	**-**	**3,865,627**	**-**
Statement of financial position exposure	**2,062,195**	**4,717,813**	**263,399**
2020			
Trade and other payables	905,513	-	-
Finance lease obligations	235,484	1,004,491	280,766
Borrowings	-	4,001,549	-
Statement of financial position exposure	1,140,997	5,006,040	280,766

(f) Fair values of financial assets and liabilities

Cash and cash equivalents

The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors

The carrying amount approximates fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

There were no other financial assets and liabilities other than cash, trade receivables and payables, and borrowings at the close of the reporting periods.

Measurement of fair value of financial instruments
The Company's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year.

Embedded derivatives (Level 3)
The assessed fair values of the derivatives were determined using a Black-Scholes option pricing model. The model considers the expected price volatility of the underlying instrument, expected dividend yield and the risk-free interest rate. A collection of comparable companies has been used as a proxy for the volatility determined. The embedded derivative liability is classified as non-current based on a convertible note maturity of four years.

The following shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
2021				
Derivative liability	-	-	**949,126**	**949,126**
Statement of financial position exposure	-	-	**949,126**	**949,126**
2020				
Derivative liability	-	-	1,810,494	1,810,494
Statement of financial position exposure	-	-	1,810,494	1,810,494

There were no Level 1 or Level 2 transfers in the current and prior reporting periods.

23. PARENT ENTITY INFORMATION

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

	2021	2020
Current Assets	**1,109,530**	1,656,632
Non-current assets	**6,681,134**	7,794,935
Total Assets	**7,790,664**	9,451,567
Current Liabilities	**152,795**	233,638
Long Term Liabilities	**3,459,471**	3,790,372
Total Liabilities	**3,612,266**	4,024,010
Contributed equity	**66,265,398**	65,943,807
Accumulated losses	**(62,392,717)**	(61,355,889)
Performance rights reserves	**221,783**	113,569
Option reserves	**83,934**	726,070
Total Equity	**4,178,398**	5,427,557
Loss for the year	**(1,445,319)**	(6,314,423)

24. COMMITMENTS AND CONTINGENCIES
The Company does not have any commitments or contingencies beyond those disclosed as disclosed in the notes above.

25. DIVIDENDS
No dividend has been declared or paid during the current financial year or the prior financial year. The Company does not have any franking credits available for current or future years as it is not in a tax paying position.

26. SUBSEQUENT EVENTS
There has not arisen any item, transaction, or event of a material and unusual nature, which in the opinion of the Directors of the Company, is likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

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, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards and the Corporations Regulations 2001, other mandatory professional reporting requirements

    b. give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

    c. comply with International Financial Reporting Standards as disclosed in Note 2 of the financial statements.

2. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2021, comply with section 300A of the Corporations Act 2001 (Cth).

3. 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.

4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001 (Cth).

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Rosheen Garnon
Chair
Dated: 27 August 2021

Grant Thornton

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Independent Auditor's Report

To the Members of Alexium International Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Alexium International Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Intangible assets – impairment testing (Note 12)	
As disclosed in Note 12, the Group continues to capitalise development costs in relation to its on-going projects. These have a net book value of $2,961,411 as at 30 June 2021. In accordance with AASB 136 *Impairment of Assets*, the Group is required to determine if impairment indicators exist and test intangible assets for impairment where indicators exist or where assets are not yet available for use. This area is a key audit matter due to the significant management judgement involved in assessing intangible assets for impairment indicators and the determination of recoverable amount of assets where there are indications of impairment or assets are not yet available for use.	Our procedures included, amongst others: • conducting a detailed review of management's assessment of external and internal impairment indicators prepared in accordance with AASB 136 *Impairment of Assets* including corroborating and challenging management's assumptions where appropriate; • reviewing managements impairment test for intangible assets not yet ready for use by obtaining evidence to support the key assumptions used by management in the model and challenging those assumptions; • evaluating the impairment model against the requirements of AASB136 *Impairment of Assets*; • performing sensitivity analysis to stress test the key assumptions used in the fair vale less cost of disposal model; and • assessing the adequacy of financial report disclosures.
Going concern – note 2(x)	
In preparing the financial report, the Group has adopted a going concern basis of preparation, as the Directors believe there is reasonable grounds to expect that the Group will have sufficient funds to settle liabilities and meet its debts as and when they fall due. To support this basis of preparation, the Group has prepared a going concern position paper and cash flow forecast model. Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing the future funding and operational status of the Group.	In assessing the appropriateness of the going concern basis of preparation for the financial report, we performed a number of procedures including the following: • reviewing management's assessment of going concern and cash flow forecast to assess whether current cash levels and forecast revenue can sustain operations for a period of at least 12 months from the proposed date of signing; • assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results and our understanding of the business, industry and economic conditions of the Group; • assessing the reasonableness of mitigating factors determined by management and the Directors; • performing sensitivity analyses on the forecast cash flows; • agreeing year end cash balances to bank confirmations to gain comfort around the opening balances used in the cash flow forecast; and • reviewing the disclosures to be included in the financial report for appropriateness.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Alexium International Group Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 27 August 2021

The shareholder information set out below was applicable as at 7 August 2021.

Quoted equity securities

640,197,246 fully paid ordinary shares are held by 4,979 shareholders.

Unquoted equity securities

Date Options/Warrants Granted	Expiry Date	Exercise price of shares	No. under options
31-Dec-19	29-Mar-23	A$ 0.06	3,829,787

Shareholder distribution

The number of shareholders, by size of holding, are:

Holding Range Units			Holders	Total Units	% Issued Share Capital
1	-	1,000	478	186,175	0.03%
1,001	-	5,000	911	2,660,254	0.42%
5,001	-	10,000	815	6,685,514	1.04%
10,001	-	100,000	2,155	83,578,178	13.06%
100,001	-	999,999,999	620	547,087,125	85.46%
			4,979	640,197,246	100.00%

Unmarketable parcels

Holding Range Units	Holders	Total Units	% Issued Share Capital
Minimum parcel A$500 at $0.049 per unit	2,229	9,784,117	**1.53%**

Substantial holders

Rank	Name	Total Units	% Issued Share Capital
1	COLINTON CAPITAL PARTNERS PTY LTD <COLINTON CP FUND 1 (A) A/C>	76,145,234	11.89%
2	SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C>	55,188,743	8.62%
3	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS PENS F A/C>	38,225,000	5.97%
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	33,780,770	5.28%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

- Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- Options: No voting rights.
- Warrants: No voting rights.

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.

Equity Security Holders

Twenty largest holders of quoted equity securities:

Rank	Name	Total Units	% Issued Share Capital
1	COLINTON CAPITAL PARTNERS PTY LTD <COLINTON CP FUND 1 (A) A/C>	76,145,234	11.89%
2	SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C>	55,188,743	8.62%
3	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS PENS F A/C>	38,225,000	5.97%
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	33,780,770	5.28%
5	NAAM GROUP PTY LTD <NAAM INVESTMENT A/C>	18,874,256	2.95%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,254,901	1.60%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	9,947,055	1.55%
8	DDH GRAHAM LIMITED <THE LUGARNO FUND A/C>	9,200,000	1.44%
9	DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS S/F A/C>	8,645,000	1.35%
10	MR HERMAN BROOKINS	8,333,333	1.30%
11	DUCKY'S LIFELINE PTY LTD <THE R EDWARDS SUPER A/C>	8,300,552	1.30%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,518,613	0.86%
13	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	5,487,993	0.86%
14	MR MARTIN KEITH THOMAS & MRS HELEN PATRICIA THOMAS	5,431,500	0.85%
15	LOMAND SERVICES LIMITED	5,281,500	0.82%
16	CANNOW PTY LTD <C & T FAMILY S/FUND A/C>	4,400,000	0.69%
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,260,062	0.67%
18	DAVID RIVETT PTY LIMITED <SUPER FUND A/C>	4,000,000	0.62%
19	CITICORP NOMINEES PTY LIMITED	3,751,175	0.59%
20	MS FRANCES ELIZABETH PHILLIPS & MR STUART LLOYD PHILLIPS <FRANCESPHILLIPSSUPERFND A/C>	3,568,966	0.56%