



ALEXIUM INTERNATIONAL GROUP LIMITED

ABN 91 064 820 408

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2010

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**RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4D**

**ALEXIUM INTERNATIONAL GROUP LIMITED
ABN 44 009 163 919**

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

Current reporting period: 1 July 2010 to 31 December 2010
Previous reporting period: 1 July 2009 to 31 December 2009

				\$A
Revenue from ordinary activities	Up	1,369%	to	\$64,384
Loss from ordinary activities after tax attributable to members	Up	437%	to	(\$1,592,680)
Net loss for the period attributable to members	Up	437%	to	(\$1,592,680)

Dividends	Amount per security	Franked amount per security
Interim dividend declared this period	Nil	Nil
Interim dividend declared and paid in previous corresponding period	Nil	Nil
Final dividend 2010	Nil	Nil

Explanation of Revenue from ordinary activities

The company's revenue is largely represented by interest received on its bank account balance. The Alexium Limited acquisition in February 2010 included a capital raising therefore the increase in cash has resulted in an increase in interest received.

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

The increase in loss is the result of an increase in activity following the acquisition of Alexium Limited.

SUPPLEMENTARY APPENDIX 4D INFORMATION

ALEXIUM INTERNATIONAL GROUP LIMITED ABN 44 009 163 919

Net Tangible Assets	31/12/10	31/12/09
Net Tangible Asset backing per ordinary shares	(1.42 cents)	0.0977 cents

Controlled entities acquired or disposed of

Alexium Marketing Services Limited was deregistered with effect from 14 September 2010 and is no longer consolidated into the accounts.

Additional dividend/distributions information

Not applicable

Dividend/distribution reinvestment plans

None

Associates and Joint Venture entities

None

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DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

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

Mr Gavin Rezos
Mr Stephen Ribich
Mr Stefan Susta
Mr Craig Smith-Gander

RESULTS AND REVIEW OF OPERATIONS

The Group's net loss attributable to members of the Company for the half-year ended 31 December 2010 was \$1,592,680 (half-year ended 31 December 2009 net loss: \$296,474). The comparative figures were prior to the Alexium Limited acquisition on 26 February 2010.

As at 31 December 2010 the cash position was \$1,860,946 (30 June 2010: \$3,303,043) and the Company had 107,871,688 ordinary shares on issue (30 June 2010: 107,871,688)

SUBSEQUENT EVENTS

There are no events subsequent to the reporting date that would materially affect the operations or the state of affairs of the consolidated entity in the future financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the financial report.

Dated this 25th day of February 2011.

Signed in accordance with a resolution of the directors.



Gavin Rezos
Executive Chairman

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204
w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

25 February 2011

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

Dear Directors

RE: ALEXIUM INTERNATIONAL GROUP LIMITED


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

As Audit Director for the review of the financial statements of Alexium International Group Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



J P Van Dieren
Director

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Notes	Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
Cost of Sales		(184,226)	-
Other Income	4	64,384	4,384
Administrative Expenses		(465,252)	(300,858)
Employee Benefits Expense		(587,623)	-
Impairment Expense		(1,989)	-
Share-Based Payment	7	(51,418)	-
Depreciation & Amortisation		(366,556)	-
Loss before income tax		(1,592,680)	(296,474)
Income tax expense		-	-
Loss attributable to members of the Company		(1,592,680)	(296,474)
Other comprehensive income			
Exchange differences on translation of foreign operations		(170,347)	-
Total comprehensive income / (loss) attributable to the members of the Company		<u>(1,763,027)</u>	<u>(296,474)</u>
Loss per share (cents)			
Basic		<u>(1.48)</u>	<u>(0.094)</u>
Diluted		<u>(1.48)</u>	<u>(0.094)</u>

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

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	Consolidated 31 December 2010 \$	Consolidated 30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,860,946	3,303,043
Trade and other receivables		18,003	65,443
Other current assets		108,934	53,641
Total Current Assets		1,987,883	3,422,127
Non-Current Assets			
Other financial assets		4,034	4,786
Property, plant and equipment		177,799	140,322
Other Non-Current Assets		23,669	-
Intangible assets		11,398,137	11,782,498
Total Non-Current Assets		11,603,639	11,927,606
Total Assets		13,591,522	15,349,733
LIABILITIES			
Current Liabilities			
Trade and other payables		178,936	240,618
Provisions		9,210	4,132
Other – deferred income		20,621	13,850
Total Non-Current Liabilities		208,767	258,600
Non-Current Liabilities			
Deferred tax liability		3,465,442	3,465,442
Other – deferred income		30,931	27,700
Total Current Liabilities		3,496,373	3,493,142
Total Liabilities		3,705,140	3,751,742
NET ASSETS		9,886,382	11,597,991
EQUITY			
Contributed equity		17,197,558	17,197,558
Reserves		59,772	178,701
Accumulated losses		(7,370,948)	(5,778,268)
TOTAL EQUITY		9,886,382	11,597,991

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Contributed equity	Reserves	Consolidated Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2010	17,197,558	178,701	(5,778,268)	11,597,991
Loss for the period	-	-	(1,592,680)	(1,592,680)
Foreign currency translation	-	(170,347)	-	(170,347)
Total comprehensive income / (loss)		(170,347)	(1,592,680)	(1,763,027)
Share-based payment	-	51,418	-	51,418
Balance at 31 December 2010	17,197,558	59,772	(7,370,948)	9,886,382
Balance at 1 July 2009	65,222,622	700	(64,620,189)	603,133
Loss for the period	-	-	(296,474)	(296,474)
Total comprehensive income / (loss)	-	-	(296,474)	(296,474)
Share issue costs	-	-	-	-
Balance at 31 December 2009	65,222,622	700	(64,916,663)	306,659

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated	Consolidated
	31 December	31 December
	2010	2009
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	47,350	-
Cash payments to suppliers and employees	(1,379,614)	(155,117)
Goods & Services tax received from ATO	22,182	-
Interest received	53,393	3,249
Net cash flows used in operating activities	(1,256,689)	(151,868)
Cash flows from investing activities		
Increase in intangibles	(34,234)	-
Purchase of property, plant and equipment	(64,982)	-
Loan to other entities	-	(363,445)
Net cash flows used in investing activities	(99,216)	(363,445)
Cash flows from financing activities		
Other	-	(2,983)
Net cash flows used in financing activities	-	(2,983)
Net decrease in cash and cash equivalents	(1,355,905)	(518,296)
Cash and cash equivalents at beginning of period	3,303,043	628,164
Effect of exchange rate changes on cash and cash equivalents	(86,192)	-
Cash and cash equivalents at end of period	1,860,946	109,868

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. CORPORATE INFORMATION

The financial report of Alexium International Group Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 25 February 2010.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual Financial Report of Alexium International Group Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Alexium International Group Limited and its controlled entities ("the Group") during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of preparation

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

(b) Changes in accounting policy

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

(c) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010, except for the impact of the Standards and Interpretations described above in Note 2(b).

The consolidated entity has also reviewed all other new standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010. It has been determined by the consolidated entity that there is no impact, material or otherwise, of the new or revised standards and interpretations on its business and, therefore, no change to the accounting policy.

(d) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Alexium International Group Limited and its controlled subsidiaries. Alexium Marketing Services Limited was deregistered with effect from 14 September 2010 and is no longer consolidated into the accounts.

3. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment which involves the development of a patented technology known as "Reactive Surface Technology" (RST). Alexium is the exclusive licensee of this particular patent and has applied for additional patents in its own capacity around the world. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

4. REVENUE AND EXPENSES

	31 December 2010	31 December 2009
	\$	\$
Other income		
Interest income	53,393	4,384
Grant income	10,991	-
	<u>64,384</u>	<u>4,384</u>

5. CASH AND CASH EQUIVALENTS

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

	31 December 2010	30 June 2010
	\$	\$
Cash at bank and in hand	1,860,946	3,303,043
	<u>1,860,946</u>	<u>3,303,043</u>

6. CONTRIBUTED EQUITY

(a) Shares

The number of shares on issue at 31 December 2010 are 107,871,688 (30 June 2010: 107,871,688).

(b) Share Options Issued

At 31 December 2010 there were 7,000,000 free attaching options outstanding and 23,500,000 share-based payment options outstanding (2009: nil). Refer to note 7 for details of the share-based payment options outstanding.

(c) Movements in Share Options

	Grant date	Exercise Price	Expiry date	Balance at beginning of period Number	Granted during the period Number	Exercised during the period Number	Expired during the period Number	Balance at end of period Number
31 December 2010								
Unlisted options	19/06/08	\$0.10	31/12/12	7,000,000	-	-	-	7,000,000
Unlisted options	26/02/10	\$0.30	26/02/12	16,000,000	-	-	-	16,000,000
Unlisted options	12/10/10	\$0.30	31/12/14	-	2,500,000	-	-	2,500,000
Unlisted options	26/02/10	\$0.40	26/02/12	2,500,000	-	-	-	2,500,000
Unlisted options	26/02/10	\$0.50	26/02/14	2,500,000	-	-	-	2,500,000
				<u>28,000,000</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>30,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

(c) Movements in Share Options (continued)

No options expired or lapsed during the periods covered by the above table.

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.

7. SHARE-BASED PAYMENTS

Recognised share-based payment expenses

	31 December 2010 Number	31 December 2010 Value per option \$	31 December 2010 \$
Options issued during the period for:			
- services rendered	2,500,000	0.018395	45,988
Options issued during previous period but pro-rata over period of performance:			
- services rendered	2,500,000	0.003928	2,455
- services rendered	2,500,000	0.009519	2,975
			<u>51,418</u>

Summary of Options Granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share-based payments options during the half-year to 31 December 2010.

	Half-Year Ended			
	31 December 2010 No.	31 December 2010 WAEP	31 December 2009 No.	31 December 2009 WAEP
Outstanding at the start of the period	21,000,000	\$0.34	-	-
Granted during the period	2,500,000	\$0.30	-	-
Exercised/expired/cancelled during the period	-	-	-	-
Outstanding at the end of the period	<u>23,500,000</u>	<u>\$0.33</u>	-	-

The weighted average remaining contractual life of the share options outstanding at 31 December 2010 is 1.67 years.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

7. SHARE-BASED PAYMENTS (continued)

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

Expiry date	31/12/14
Dividend yield (%)	-
Expected volatility (%)	30
Risk-free interest rate (%)	4.8
Expected life of options (years)	4.42
Underlying share price (\$)	0.16
Option exercise price (\$)	0.30
Value of Option (\$)	0.018395

8. DIVIDENDS

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

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

9. SUBSEQUENT EVENTS

There are no events subsequent to the reporting date that would materially affect the operations or the state of affairs of the consolidated entity in the future financial year.

10. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There have been no material changes to the commitments as disclosed in the annual report to 30 June 2010.

(b) Contingencies

There have been no material changes to the contingencies as disclosed in the annual report to 30 June 2010.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the Consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Gavin Rezos
Executive Chairman
25 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alexium International Group Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration Alexium International Group Limited (the consolidated entity). The consolidated entity comprises both Alexium International Group Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alexium International Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

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Independence


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Alexium International Group Limited on 25 February 2011.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

Stantons International Audit and Consulting 15 Feb


John P Van Dieren
Director

West Perth, Western Australia
25 February 2011

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