ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED

HALF-YEAR REPORT
For the Six Months Ended 31 December 2021
PRESENTED IN US DOLLARS

ABN 91 064 820 408

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ALEXIUM INTERNATIONAL GROUP LIMITED
ABN 91 064 820 408

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:	01 July 2021 to 31 December 2021
Previous reporting period:	01 July 2020 to 31 December 2020

Revenue from ordinary activities	up	46.3%	to	5,283,851
Loss from ordinary activities for the period after tax attributable to members	up	(8.9%)	to	(1,954,213)
Net loss for the period attributable to members	up	(8.9%)	to	(1,954,213)

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

Revenue from ordinary activities

Revenue from ordinary activities increased over the prior year by 46.3% from increased sales in the PCM product line with the introduction of BioCool™ biobased products. Margin improved 7.6 percentage points over the same period prior year. The loss before finance costs of $0.9M was a 45.0% improvement versus the comparative period primarily due to increased revenue and decreased cost of sales. Operating expenses are up 8.5% mainly because of the reduced internal development capitalisation of research and development costs. Total loss for the period of $2.0M was an 8.9% increase over the comparative period. Notably the derivative adjustment accounted for 0.7M of this loss.

Net Tangible Assets	**31-Dec-21**	**31-Dec-20**
Net Tangible Asset backing per ordinary shares	US (0.01) cents	US 0.08 cents

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

Additional dividend/distributions information
Not applicable

Dividend/distribution reinvestment plans
None

Associates and Joint Venture entities
None

Your directors submit their report for the half-year ended 31 December 2021.

The names of the Group'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.

Ms Rosheen Garnon
Brigadier General Stephen Cheney
Mr Simon Moore
Dr Paul Stenson
Dr Bob Brookins
Mr Carl Dennis (appointed 01-Sep-21)

RESULTS AND REVIEW OF OPERATIONS

Principal activities

The Group's revenue is generated from the development and sale of innovative and proprietary chemistry solutions to various partners in the textile industry. The Group's proprietary technologies, Alexicool®, BioCool™ Eclipsys™, Alexigard™ and Alexiflam®, serve the phase change material (PCM) and flame retardant (FR) market opportunities where Alexium's product differentiation and technical service model creates distinction from others in the market.

Revenues were up 46.3% with increased sales of the Alexicool® and BioCool™ product lines. Gross margin year over year increased because of the introduction of biobased products along with changes in product mix versus the comparative period.

Operating expenses at $3.0M were up 8.5% versus the comparative period mainly due to decreased research and development costs being capitalised to internal development costs on the balance sheet. The loss before financing costs decreased 45.0% to $0.9M from same period prior year with the increase in sales and gross profit. The net loss attributable to members for the period was $2.0M which increased $0.2M from $1.8M in the comparative period. There was an $0.7M charge due to the embedded derivative increase for the period.

As of 31 December 2021, the cash position was $1,828,919 (30 June 2021: $2,932,673) and the Group had 644,892,054 ordinary shares on issue (30 June 2021: 640,197,246).

COVID-19

In the first half of the year, the Group continued to monitor various aspects of COVID-19 that could impact the business such as employee wellbeing, customer activities and supply chain related activities such as raw material availability, shipping related activities and contract manufacturing impacts.

Management continues to take 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 period end customer receivables are considered fully collectable.

SUBSEQUENT EVENTS

The Company has signed a letter of intent with Alterna CS to provide working capital funding to support the growth of the company. The currently contemplated facility is a three-year $3.0M asset-based facility which can be increased to $5.0M as the Company grows. The borrowing base consists of eligible accounts receivable and inventory. The initial fund usage interest rate is 8.25% and adjusts with upward changes in the Wall Street Journal Prime Rate. Anticipated close date is 04 March 2022.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on the following page Dated this 25th day of February 2022 and was signed in accordance with a resolution of the Directors.

Dr. Bob Brookins
Chief Executive Officer
25 February 2022

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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 review of Alexium International Group Limited for the period ended 31 December 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 review; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 25 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	31-Dec-21 US$	31-Dec-20 US$
Revenue	3	**5,283,851**	3,610,887
Cost of sales		**(3,164,044)**	(2,437,315)
Gross Profit		**2,119,807**	1,173,572
Administrative expenses		**(1,588,317)**	(1,529,110)
Sales and marketing expenses		**(441,218)**	(598,173)
Occupancy expenses		**(230,491)**	(264,733)
Research and development costs		**(665,020)**	(351,188)
Other expenses		**(66,054)**	(13,695)
Operating expenses		**(2,991,100)**	(2,756,899)
Loss before finance costs		**(871,293)**	(1,583,327)
Interest expense		**(368,446)**	(319,982)
(Loss)/ Gain on embedded derivative	5	**(716,371)**	106,267
Interest earned	3	**1,897**	2,565
Total finance costs		**(1,082,920)**	(211,150)
Loss before tax		**(1,954,213)**	(1,794,477)
Tax expense		**-**	-
Loss for the year after tax		**(1,954,213)**	(1,794,477)
Other comprehensive income - Exchange differences on translation of foreign operations which may subsequently be reclassified to profit or loss		**61,737**	(311,950)
Total comprehensive loss for the year		**(1,892,476)**	(2,106,427)
Loss for the year attributable to members of the group		**(1,954,213)**	(1,794,477)
Total comprehensive loss for the year attributable to members of the group		**(1,892,476)**	(2,106,427)
Basic and diluted loss per share (cents)		(0.30)	(0.28)

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

	Note	31-Dec-21 US$	30-Jun-21 US$
Current Assets			
Cash and cash equivalents		**1,828,919**	2,932,673
Trade and other receivables		**952,829**	1,367,592
Inventories		**1,834,028**	1,224,090
Other current assets		**192,440**	74,843
Total Current Assets		**4,808,216**	5,599,198
Non-Current Assets			
Other financial assets		**17,682**	17,681
Property, plant and equipment		**959,447**	1,055,780
Intangible assets	4	**2,711,940**	2,961,411
Right of use asset		**759,929**	846,106
Total Non-Current Assets		**4,448,998**	4,880,978
Total Assets		**9,257,214**	10,480,176
Current Liabilities			
Trade and other payables		**1,423,478**	1,892,523
Lease liabilities		**106,218**	81,221
Total Current Liabilities		**1,529,697**	1,973,744
Non-Current Liabilities			
Borrowings	5	**2,633,205**	2,510,345
Derivative liability	5	**1,643,500**	949,126
Lease liabilities		**801,564**	868,564
Total Non-Current Liabilities		**5,078,269**	4,328,035
Total Liabilities		**6,607,965**	6,301,779
Net Assets		**2,649,249**	4,178,397
Equity			
Contributed equity	6	**66,513,227**	66,265,398
Reserves		**(1,517,568)**	(1,694,804)
Accumulated losses		**(62,346,410)**	(60,392,197)
Total Equity		**2,649,249**	4,178,397

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

	Contributed Equity $	Options & Warrants Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2021	**66,265,398**	**83,934**	**221,783**	**(2,000,521)**	**(60,392,197)**	**4,178,397**
Loss for the period	**-**	**-**	**-**	**-**	**(1,954,213)**	**(1,954,213)**
Foreign currency translation	**-**	**-**	**-**	**61,737**	**-**	**61,737**
Total comprehensive income / (loss)	**-**	**-**	**-**	**61,738**	**(1,954,213)**	**(1,892,476)**
Transactions with owners in their capacity as owners:						
Expiration of outstanding options	**-**	**-**	**-**	**-**	**-**	**-**
Issued capital	**-**	**-**	**-**	**-**	**-**	**-**
Capital raising costs	**(1,408)**	**-**	**-**	**-**	**-**	**(1,408)**
Performance rights expense	**-**	**-**	**195,406**	**-**	**-**	**195,406**
Performance rights exercised	**79,908**	**-**	**(79,908)**	**-**	**-**	**-**
Share-based payment in lieu of salary	**24,750**	**-**	**-**	**-**	**-**	**24,750**
Share-based payment for services	**144,580**	**-**	**-**	**-**	**-**	**144,580**
Balance at 31 December 2021	**66,513,228**	**83,934**	**337,281**	**(1,938,784)**	**(62,346,410)**	**2,649,249**
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	-	-	-	-	(1,794,477)	(1,794,477)
Foreign currency translation	-	-	-	(311,950)	-	(311,950)
Total comprehensive income / (loss)	-	-	-	(311,950)	(1,794,477)	(2,106,427)
Transactions with owners in their capacity as owners:						
Expiration of outstanding options		(642,136)	-	-	642,136	-
Issued capital	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-
Performance rights issued	-	-	-	-	-	-
Performance rights exercised	113,569	-	(113,569)	-	-	-
Share-based payment in lieu of salary	49,500	-	-	-	-	49,500
Share-based payment for services	147,529	-	-	-	-	147,529
Balance at 31 December 2020	66,254,405	83,934	-	(2,078,825)	(60,741,355)	3,518,159

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

	Note	31-Dec-21 US$	31-Dec-20 US$
Cash flow from operating activities			
Receipts from customers and other income		**5,725,028**	3,914,954
Payments to suppliers and employees		**(6,483,056)**	(4,169,737)
Interest received		**1,882**	1,497
Interest and other costs of finance paid		**(167,693)**	(163,786)
Goods & services tax received		**9,820**	22,634
Net cash flows (used in) operating activities		**(914,019)**	(394,438)
Cash flows from investing activities			
Purchase of property, plant, and equipment		**(49,606)**	(43,896)
Payments for development costs		**(65,502)**	(560,524)
Net cash flows (used in) investing activities		**(115,108)**	(604,420)
Cash flows provided by financing activities			
Repayment of borrowings		**(41,539)**	(72,149)
Net cash flows (used in) financing activities		**(41,539)**	(72,149)
Net (decrease) in cash and cash equivalents		**(1,070,666)**	(1,071,007)
Cash and cash equivalents at beginning of year		**2,932,673**	4,741,251
Effect of exchange rate changes on cash and cash equivalents		**(33,088)**	171,975
Cash and cash equivalents at end of year		**1,828,919**	3,842,219

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

1. CORPORATE INFORMATION

The consolidated financial statements of Alexium International Group Limited and its subsidiaries (collectively, the Group) for the six-months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 25 February 2022. Alexium International Group Limited ('Company' or 'Parent') is incorporated and domiciled in Australia and is publicly traded on the Australian Securities Exchange under the trading symbol AJX. These financial statements include the consolidated financial statements and notes of Alexium International Group Limited and its controlled entities ('Group').

These financial statements are presented in US Dollars which align with the Company's financial reporting with the nature of the business operations which primarily occur in the United States as described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated half-year financial statements for the six-months ended 31 December 2021 are general-purpose financial reports, which have been prepared in accordance with the requirement of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The consolidated half-year financial statements have been prepared on a historical cost basis, except where stated. For the purpose of preparing the consolidated half-year financial statements, the half-year has been treated as a discrete reporting period.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

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 of selected non-current assets, financial assets, and financial liabilities. The presentation is United States Dollars to correspond with the primary currency that influences sales price of goods, labour, materials, costs of providing goods for sale, and interest expense paid on the Company's debt.

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

There are no new or revised accounting standards and amendments that are currently issued and adopted during the reporting periods that are relevant to the Group.

(c) Significant accounting judgements, estimates and assumptions

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. A collection of comparable companies has been used as a proxy for the volatility determined. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

Intangible Assets
The Group 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 4 for further disclosures.

(d) Going Concern

These financial statements have been prepared on the basis of 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 directors' assessment is based on forecasted growth in commercial sales, which the Company expects to continue over the next twelve months. As noted in the subsequent events, the Company has signed a letter of intent for a asset based line of credit with Alterna CS with an anticipated close date of 04 March 2022.

3. REVENUE & OTHER INCOME

	31-Dec-21	31-Dec-20
Sale of goods	**5,283,851**	3,849,841
Rebates	-	(238,954)
Total	**5,283,851**	3,610,887
Interest earned	**1,897**	2,565

4. INTANGIBLE ASSETS

Cost	
Balance at 30 Jun 2021	3,558,588
Additions	**88,708**
Disposals	**-**
Balance at 31 Dec 2021	**3,647,296**
Amortisation and impairment	
Balance at 30 Jun 2021	597,177
Amortisation	**338,179**
Disposals	**-**
Balance at 31 Dec 2021	**935,356**
Net book value	
Balance at 30 Jun 2021	2,961,411
Balance at 31 Dec 2021	**2,711,940**

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included as depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income. The ultimate recoupment of costs carried forward for intellectual property is dependent on the successful development and commercial exploitation of the Group's technology. Amortisation is calculated on a straight-line basis over the average useful life of the assets and begins once the asset is available for use.

Capitalised development
Costs that are directly attributable to a technology's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the asset
- 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. Development costs not meeting these criteria for capitalisation are expensed as incurred. The ultimate recoupment of costs carried forward for capitalised development is dependent on the successful development and commercialization of the technology. Any capitalised developed that is not yet complete is not amortised but is subject to impairment testing.

Impairment testing for intangible assets
Management has used AASB 136 Impairment of Assets as the basis for impairment assessment. No impairment loss has been recognised for the reporting period.

5. BORROWINGS

Convertible note

On 24 December 2019, the Company entered into 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 a 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 a 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 $3.7 million.

	31-Dec-21	30-Jun-21
Convertible note carrying value	**2,633,205**	2,510,345

	31-Dec-21	30-Jun-21
Convertible note carrying value	**2,633,205**	2,510,345
Remaining amortisation of effective interest	**978,361**	1,101,221
Foreign currency exchange rate impact	**127,849**	254,060
Principal balance outstanding	**3,739,415**	3,865,626

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 which approximates a Monte Carlo binomial lattice simulation. Pricing model inputs of the current derivative include exercise price (A$0.078), risk-free rate (1.14%), remaining term (2 years) and volatility (75.4%).

	31-Dec-21	30-Jun-21
Derivative liability	**1,643,500**	949,126
(Loss)/ Gain on embedded derivative	**(716,371)**	1,043,912

6. CONTRIBUTED EQUITY

	31-Dec-21 Shares	31-Dec-20 Shares	**31-Dec-21 $**	31-Dec-20 $
(a) Issued capital				
Ordinary shares fully paid	**644,892,054**	639,599,248	**66,513,228**	66,254,405
(b) Movement in share capital				
Balance at 01 July	**640,197,246**	634,456,542	**66,265,398**	65,943,807
Costs of capital raising	**-**	-	**(1,408)**	-
Conversion of performance rights	**915,625**	1,286,181	**79,908**	113,569
Share issued in lieu of directors' fees	**445,850**	523,192	**24,750**	49,500
Shares issued in lieu of professional services	**3,333,333**	3,333,333	**144,580**	147,529
Balance at 31 December	**644,892,054**	639,599,248	**66,513,228**	66,254,405
(c) Movements in performance rights				
Balance at 01 July	**915,625**	1,286,182	**79,907**	113,569
Granted not yet Vested - Not Issued at 01 July	**310,451**	1,705,978	**10,417**	127,654
Exercised	**(915,625)**	(1,286,182)	**(79,907)**	(113,569)
Forfeited	**(39,969)**	(402,880)	**(1,341)**	(30,821)
Granted not yet Vested at 31 December	**(270,482)**	(1,303,098)	**(9,076)**	(96,833)
Balance at 31 December	**-**	-	**-**	-

(d) Share appreciation rights

31-Dec-21	**Grant Date**	**Vesting Date**	**Expiry Date**	**Opening Price***	**Full Vesting Target Price***	**FV at Grant***	**Open Balance**	**Granted**	**Forfeited**	**Outstanding**
FY 2022	23-Sep-21	23-Sep-24	23-Sep-26	**0.076**	**0.148**	**0.044**	**-**	**18,193,506**	**(998,847)**	**17,194,659**
FY 2021	23-Sep-20	23-Sep-23	23-Sep-25	**0.071**	**0.139**	**0.048**	**16,150,924**	**-**	**(1,540,656)**	**14,610,268**
Total							**16,150,924**	**18,193,506**	**(2,539,503)**	**31,804,927**

*Amounts in Australian Dollars

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 issuance of the annual report. Fully vested target price is defined as the 20-day VWAP from issuance 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 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 31 December 2021, there were Nil free attaching options outstanding (31 December 2020: Nil) and Nil share-based payment options outstanding (31 December 2020: Nil).

	Grant Date	Exercise Price	Expiry date	Balance at start of year	Granted	Exercised	Expired	Balance at end of year
31-Dec-21								
Warrants	**31-Dec-19**	**$0.06**	**29-Mar-23**	**3,829,787**	**-**	**-**	**-**	**3,829,787**
Total				**3,829,787**	**-**	**-**	**-**	**3,829,787**
31-Dec-20								
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**

(f) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the case of a liquidation of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(g) Capital management

The Company's objectives in managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

7. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There have been no material changes to the commitments as disclosed in the annual report to 30 June 2021

(b) Contingencies

There have been no material changes to the contingencies as disclosed in the annual report to 30 June 2021

8. SUBSEQUENT EVENTS

The Company has signed a letter of intent with Alterna CS to provide working capital funding to support the growth of the company. The currently contemplated facility is a three-year $3.0M asset-based facility which can be increased to $5.0M as the Company grows. The borrowing base consists of eligible accounts receivable and inventory. The initial fund usage interest rate is 8.25% and adjusts with upward changes in the Wall Street Journal Prime Rate. Anticipated close date is 04 March 2022.

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. give a true and fair view of the Group's financial position as of 31 December 2021 and of its performance for the half- year ended on that date; and

   b. comply with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001;

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Rosheen Garnon
Chair
Dated 25 February 2022

Grant Thornton

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Independent Auditor's Report

To the Members of Alexium International Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Alexium International Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2021, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Alexium International Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' responsibility for the half year financial report

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

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Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 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.

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Grant Thornton Audit Pty Ltd
Chartered Accountants

M Leivesley

M R Leivesley
Partner – Audit & Assurance

Sydney, 25 February 2022