



ALEXIUM

**QUARTERLY ACTIVITIES REPORT  
FOR THE PERIOD ENDED**

31 December 2020

## Q2 FY2021 Highlights:

- **Sales increase for Q2**
  - Cash receipts total \$2.2M
  - Sales driven by Alexicool® sales to top-of-bed and mattress markets
- **Commercialization of Proprietary Biobased & Biodegradable Line of PCM**
  - New products expand the range of addressable end-market segments
  - Development grows the portfolio of eco-friendly high-performance specialty chemical solutions
- **Company welcomes new Vice-President, Sales & Marketing Chris Crawford**
  - Crawford brings a wealth of experience in the chemicals industry
  - Experience in leading market development and sales efforts for Specialty Chemical Sales, Hydrite and Lubrizol
- **Additional funding application for US COVID-19 Relief**
  - Company has applied for \$468K in funding
  - Expectations are for the loan to be 100% forgiven as per its statutory intention
- **Implementation of ERP**
  - Company invested in and has implemented new system
  - ERP improves upon Company's management of operations and prepares Company for future growth

## Introduction by CEO, Dr. Bob Brookins

*"Over the past two years, a priority for the Company has been to expand our portfolio of flame retardant and thermal management products to provide a broader range of application/market opportunities. The fruition of that work is evident with the commercialisation of a number of proprietary products over the past 6 months including Phonon, Alexiflam NF for FR socks, and now our biobased phase change materials. The addition of the latter product once again highlights the theme of developing high performing products based on ecologically friendly materials. These developments were driven by our customer-centric culture which focuses our Team on delivering products which meet our customers' end market needs. What distinguishes Alexium in this regard is the combination of performance and eco-consciousness in its products. Far too often, eco-conscious products are brought to market that are either too expensive or underperforming. Alexium's products demonstrate how we use innovation to find the balance in these factors.*

*"Given these exciting product developments, the focus of our organisation has shifted towards commercialisation and to that end I am pleased to have Chris Crawford join the management team as Vice-President, Sales and Marketing. Chris brings a notable mix of sales acumen and technical know-how that makes him extraordinarily well-suited for the commercialization of Alexium's flame retardant and thermal management products. He is focused on driving sales and on making the Sales team the engine that pushes Alexium to profitability and beyond."*

## Cash receipts and Operating Activity for the Quarter

Cash receipts totalled US\$2.2m which is up US\$0.5m from the prior quarter. This quarter's cash receipts are the highest of the past two years. This quarter's sales were driven by the top-of-bed and mattress markets and reflect the continued strong consumer demand in the US bedding market. Notably sales demand remains robust despite restrictions due to COVID-19, though it has slowed down trial activity/qualification at customers. While the next quarter of our fiscal year

is historically a slower period, management is seeing indications that consumer demand is continuing for the foreseeable future.

Regarding operating activity outflows, (refer to Item 1.2 of the Appendix 4C), the outflows were predominantly comprised of raw material purchases, manufacturing costs, staffing costs, and corporate/administrative costs.

### **Alexium Launches Proprietary Biobased & Biodegradable Line of Phase Change Materials**

This quarter, the Company announced the development and commercialization of a proprietary line of biobased and biodegradable phase change materials. Phase change materials (PCMs) are the key active material for the Company's Alexicool® products and are used in a range of consumer products including bedding materials and activewear. These biobased products are the result of extensive research by the Alexium team to provide a range of benefits including:

- Eco-friendly materials
- Cooling performance enhancements
- Cost-effective

These products were developed with corporate partners and leverage a range of insights gained from Alexium's years of research and analytics in thermal management application and will allow the Company to expand its portfolio to address a broader range of end-market segments.

### **Chris Crawford Joins Alexium as Vice-President, Sales and Marketing**

The Company is pleased to welcome Chris Crawford who has taken the position of Vice-President, Sales and Marketing. Mr. Crawford possesses a wealth of experience in the chemicals industry, having led market development and sales efforts for Specialty Chemical Sales, Hydrite, and Lubrizol. Much of his career was spent at Hydrite where he was instrumental in the development of their antifoam and water treatment business and served as the Director of Market Development for his last four years. He also served as Technical Director at ROSS Chem Inc. Chris has a BS in Biology & Chemistry from Furman University and an MBA from the University of Phoenix. Chris brings a unique blend of strategic marketing, sales territory management, and technical knowledge to Alexium and will play a critical role in helping us to reach our growth objectives. On joining the Alexium team, Mr. Crawford commented, "I'm excited to join a team with a vast portfolio of technology and problem-solving abilities to bring our customer base a unique approach to addressing their market needs. The potential for the company to experience rapid growth is very high, and we all look forward to delivering that growth."

### **Company applies for \$468K in Funding as Part of US COVID-19 Relief**

Alexium applied for \$468K in funding in January 2021 in the form of a five-year 1% annual interest loan from the payroll protection program recently passed as part of the US COVID-19 relief legislation. Approval is expected in the coming weeks. This program explicitly states that the funds are to be used for payroll, lease payments and utilities. Given the controls and processes implemented to comply with the permitted use of the funds, we expect the loan to be 100%

forgiven as per its statutory intention. This funding will allow the Company to maintain its employee base through any pandemic related disruption in coming months and allow the business to continue to work towards its growth objectives.

### **Implementation of ERP system**

To improve the Company's management of operations and prepare for future growth, the management team has invested in and now implemented a new ERP system called Datacor. This system will provide improved systems for product management, quality assurance, resource planning, and customer management. The ERP system was taken live at the beginning of Q3 FY21 and all core functions are fully operational.

### **Upcoming Release of the Company's Half Year Report**

In a few weeks, the Company will be releasing its 1H FY21 report. This report will provide an overview of key strategic areas of the Company including:

- Commercialization of biobased PCMs
- Commercialization of total mattress cooling systems (TMCS)
- Production-scale work on FR NyCo with Pine Belt
- Commercialization of FR Sock for flame retardation of foam mattresses
- Commercialization agreement for Alexiflam NF with a major flame-retardant company

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Name of Entity</b>	
ALEXIUM INTERNATIONAL GROUP LIMITED	
<b>ABN</b>	<b>Quarter ended</b>
91 064 820 408	31-December-2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,177	3,915
1.2 Payments for		
(a) research and development	(84)	(160)
(b) product manufacturing and operating costs	(1,234)	(2,164)
(c) advertising and marketing	(11)	(31)
(d) leased assets	(28)	(56)
(e) staff costs	(617)	(1,153)
(f) administration and corporate costs	(181)	(606)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(82)	(164)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	7	23
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(53)</b>	<b>(394)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(24)	(44)
(d) investments		
(e) intellectual property	(333)	(561)
(f) other non-current assets		

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(357)</b>	<b>(605)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(36)	(72)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(36)</b>	<b>(72)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,183	4,741
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(54)	(394)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(358)	(605)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(36)	(72)
4.5	Effect of movement in exchange rates on cash held	107	172
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,842</b>	<b>3,842</b>

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	2,763	2,896
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	1,079	1,287
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,842</b>	<b>4,183</b>

<b>6.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

<b>7.</b>	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	3,663	3,663
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total Financing facilities</b>	<b>3,663</b>	<b>3,663</b>
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	4-year 6% A\$5.15M secured convertible note 10 finance leases with a loan balance of \$0.12M @ an average rate of 9.7%		

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**Quarterly report for entities subject to Listing Rule 4.7B**

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(53)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,842
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,842
<b>8.5</b>	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>72</b>
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions.	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board of Directors

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.