



ALEXIUM

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED
30 September 2019**

Q1 FY20 Highlights:

- **Cash receipts of US\$2.0 million with continued sales of Alexicool® products**
- **Expanded pipeline of Alexicool® opportunities currently stands at US\$45 million per annum revenue potential**
- **Successfully tested flame retardant nylon/cotton (FR NyCo) technology for US military applications, and now undertaking production-scale testing at Pine Belt Processing facility**
- **Supply agreement signed with Pegasus Home Fashions to supply Alexicool® products**
- **Progressed commercialisation discussions with ICL for Alexiflam® NF**

Commenting on Q1 FY20, Alexium CEO Dr Bob Brookins said:

“Over the past six months, Alexium has achieved key milestones that clearly demonstrate how we are executing our commercial strategies.

“First, Alexium has completed the development of its FR NyCo product, satisfying the full range of specifications needed for military uniforms. This is a major achievement for Alexium’s product development team finding the right balance of flame retardancy, fabric weight, and launderability. Our efforts now move into a distinctly different role where we support the production-scale processing of the FR NyCo technology at Pine Belt Processing’s facility and support testing and evaluation work to be undertaken by the military.

“The second key milestone is achieving significant market penetration in an important segment of the US bedding industry – textile application to mattresses. Alexium now accounts for approximately 35% of the total cooling chemical sales in this market segment. Consistent sales over the past two quarters demonstrate that this is a source of sustainable income for the company. With our sales pipeline, we are seeing continued growth in market share in this and other market segments which is moving the company to positive EBITDA and ultimately to cashflow positive.

“These successes show that Alexium has advanced from being an innovative technology company to a company that can drive commercialisation.”

Alexicool® product orders support continued cash receipts

Cash receipts in Q1 FY20 totaled US\$2.0 million, reflecting continued strong sales of Alexicool® products to the US bedding industry. Orders under the Company’s supply agreement with a multi-billion-dollar mattress brand have been steady over the past six months. Despite some purchasing delays with Pegasus Home Fashions due to their inventory build, cash receipts for the quarter maintained the strength of the prior quarter due to new customers for the top-of-bed market. These orders represent new revenue streams that will continue on an on-going basis.

Supply agreement sign with Pegasus Home Fashions to supply Alexicool® products

Alexium has signed an agreement to supply Alexicool® products to Pegasus Home Fashion for top of bed applications with a focus on pillows. The agreement has a two-year term that may automatically renew for successive one-year terms. This supply agreement formalises the relationship with Pegasus Home Fashions and aligns Alexium with an industry leader for a key segment of the bedding market, demonstrating Alexium’s increasing brand recognition and demand for Alexicool® technology.

Expansion of Alexicool® technology to broader markets

Over the past fiscal year, Alexium has built its market penetration in cooling chemical sales for textile applications for mattresses to approximately 35%. The Company has focused on leveraging this position across all segments of the US bedding industry for cooling products (addressable market US\$65 million). Supporting the broader market penetration is a robust pipeline of opportunities, which now stands at US\$45 million revenue potential per annum. A significant share of Alexium's expanded pipeline includes opportunities from new product launches incorporating Alexicool® technology due at the upcoming Las Vegas bedding show.

In support of the sales pipeline, the Company has initiated two key efforts to underpin sustainable and profitable future growth:

- Forming a team of technical and sales support professionals for customers operating in China
- Expanding the Alexicool® product portfolio for bedding and adjacent markets and building the Alexium's reputation as an innovative solutions provider

Progressed development work with Pine Belt for flame retardant technology with US military applications

Alexium continues to work with Pine Belt Processing ("Pine Belt") to provide production-scale FR NyCo fabrics for the final stage of testing and evaluation by the US military.

Production-scale work has been successful on the following primary specifications, at Pine Belt:

- Demonstrated compatibility with Pine Belt's current technologies
- Demonstrated passing burn tests with FR NyCo fabrics after initial treatment and 25 industrial launderings
- Achieved high Elmendorf tear strengths and Scotts Break testing on FR NyCo fabrics
- Passed air permeability requirements
- Treated fabrics retained soft hand and drape.

Alexium will continue to work alongside Pine Belt on the final process to optimise performance. Final production goods will be required for testing and evaluation at military facilities which include lab-scale testing and a limited user evaluation.

Focused on sales/distribution strategy for launching Alexiflam® NF with ICL

During the quarter Alexium has progressed its discussions with ICL for the license and commercialisation of Alexiflam® NF products. The focus is now on ICL acting as the distributor of Alexiflam® NF products to drive commercial efforts with Alexium continuing as the manufacturer of Alexiflam® NF for the time being. This structure allows us to expedite the completion of the agreement and ultimately transfer manufacturing rights to ICL at a later stage. In parallel with the above, Alexium continues its own commercial efforts with Alexiflam® NF for key markets in which the Company will retain sales rights.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ALEXIUM INTERNATIONAL GROUP LIMITED

ABN

91 064 820 408

Quarter ended ("current quarter")

30 Sept 2019

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,966	1,966
1.2 Payments for		
(a) research and development	(115)	(115)
(b) product manufacturing and operating costs	(1,237)	(1,237)
(c) advertising and marketing	(30)	(30)
(d) leased assets	(29)	(29)
(e) staff costs	(800)	(800)
(f) administration and corporate costs	(379)	(379)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(340)	(340)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST received)	11	11
1.8 Other (FX Effect on Intercompany Transfer)		
1.9 Net cash from / (used in) operating activities	(951)	(951)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(11)	(11)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(219)	(219)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	-
2.6	Net cash from / (used in) investing activities	(230)	(230)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(56)	(56)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(56)	(56)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,843	3,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(951)	(951)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(230)	(230)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(56)	(56)
4.5	Effect of movement in exchange rates on cash held	(23)	(23)
4.6	Cash and cash equivalents at end of quarter	2,583	2,583

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	554	705
5.2	Call deposits	2,029	3,138
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,583	3,843

6.	Payments to directors of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	64
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's Fees' - \$49
Shares issued in lieu of salary - \$13
Superannuation- \$2

7.	Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	342
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1	Loan facilities	10,770	9,306
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Term loan with a balance of US\$9.0M @ 13.5% interest plus 14 capital leases with a loan balance of \$0.3M @ an average rate of 9.5%

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Research and development	135
9.2	Product manufacturing and operating costs	1,701
9.3	Advertising and marketing	26
9.4	Leased assets	33
9.5	Staff costs	583
9.6	Administration and corporate costs	548
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	3,026

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.



29 October 2019

Sign here:
(Director/Company secretary)

Date:

Maja McGuire

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.