



ALEXIUM

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED
31 December 2019**

Q2 FY2020 Highlights:

- **Successfully completed A\$ 22.3m equity raising**
 - Repaid outstanding high cost debt US\$ 9.47m
 - Additional funds support key growth strategic initiatives
- **Continued progress in operating cash flow**
 - Cash receipts of US\$ 1.9m
 - Departmental operating costs of US\$ 1.4m
- **New product lines launched with Alexicool® technology**
 - First sales of Alexicool® FM for online mattress retailer
 - Additional sales of Alexicool® FM for top of bed applications
- **Significant milestones reached in FR product development**
 - Key metrics met for FR NyCo goods manufactured with Pine Belt
 - Progress made towards distribution agreement with ICL
- **New addition to the Board of Directors**
 - Simon Moore, senior private equity investor with significant United States experience

Commenting on Q2 FY2020, Alexium CEO Dr Bob Brookins said:

“From my first day as CEO, strengthening the Company’s capital structure has been a priority. The existing debt package was burdensome for a number of reasons including a notably high interest rate, costly transaction fees, and less than one year to run. The capital raise we initiated in Q2 FY2020 addressed this and provide a significant step forward for the Company. Beyond the debt itself, the capital raise completed this month provides additional working capital at a pivotal time when executing and delivering on strategic initiatives launched in CY2019 is paramount. In addition to funding our efforts, our strengthened balance sheet provides our customers and our partners further confidence in working with Alexium.

“Through all of this, the Company is well-positioned for growth. The Company has a strong sales pipeline across a range of markets, a rich product portfolio, plus a capable and experienced management team to drive growth. While we did not achieve positive EBITDA by the end of CY2019, we have a strong pipeline of product and opportunities and remain confident that we will reach positive monthly EBITDA on an ongoing basis.

“Thank you to all of our shareholders for your support, and we look forward to a successful CY2020.”

The Company secures A\$ 22.3m through capital raise

The Company has secured A\$ 22.3m in funding to fully retire the Company’s previous debt package and provide working capital to accelerate growth opportunities. The capital raise was comprised of the following:

- a pro rata non-renounceable Entitlement Offer of A\$ 8.3m
- a Placement to institutional and sophisticated investors, directors and management of A\$ 8.8m
- a convertible note of A\$ 5.15m

The Placement and Entitlement Offer were conducted at an offer price of A\$ 0.06 per security, representing a 44.4% discount to the five-day VWAP before the trading halt on 29th of October 2019. The Convertible Note is for four years at a 6% annual interest rate. The Note is only convertible into shares in the Company with the prior approval of shareholders with a conversion price of A\$ 0.075, a 25% premium to the Placement and Rights Issue share price.

With the last formal step of the capital raise completed at the EGM on 22 January 2020, the business is now repositioned with a solid foundation to accelerate growth in identified addressable markets under the leadership of a management team with extensive performance chemicals experience.

Fully repaid the debt of US\$ 9.47m to GPB

The Company has fully repaid the debt of US\$ 9.47m to GPB Debt Holding (GPB) which releases the Company from all terms and obligations under the debt instrument. With termination of this debt, the company has now been released from its obligations and liabilities to GPB which included an interest rate of 13.5% and high transaction costs.

Alexicool® FM sales initiated this quarter

In early 2019 Alexium launched Alexicool® FM, a PCM-based cooling technology designed specifically for foam-based products. We are pleased to announce that we have had our first sales of Alexicool® FM to two new product lines which is six months ahead of our budgeted timeline. One product line is for a mattress application for a major online retailer, and the second product line is for top-of-bed applications. Foam applications to the bedding market are a major market segment that Alexium is targeting for future growth.

Alexicool® product sales drive cash receipts for the quarter

Cash receipts in Q2 FY2020 totalled US\$ 1.9m with continued strong sales of Alexicool® to the bedding industry. As discussed further below, sales for the quarter were supported by new product lines with customers. While cash receipts were supported by initial ramp in sales for these new programs, some existing programs for Alexicool® customers were slightly lower due to seasonality of the bedding market.

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

The Company's work with Pine Belt Processing ("Pine Belt") to deliver production-scale FR NyCo fabrics is proceeding well as both parties transition the technology from laboratory scale to manufacturing/production scale at Pine Belt's facility. Key metrics such as burn performance and wash durability have been satisfied, with the focus now on optimizing the application process for consistency. Significant progress has been made in this regard. Alexium is working alongside Pine Belt on the evaluation of the fabric performance throughout this process. Once this current process is completed, final production goods will be produced for testing and evaluation at military facilities which will include laboratory scale testing before a limited user evaluation is conducted.

Progress on sales/distribution agreement for launching Alexiflam® NF with ICL

During the quarter negotiations have continued between Alexium and ICL for the latter to license and distribute Alexiflam® NF products. The focus is 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. Progress has been made on the agreement with the scope of the license and key terms now addressed. 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.

Simon Moore appointed to the Board of Directors

Simon Moore, the Senior Partner of Colinton Capital Partners, has been appointed as a non-executive director with effect from 1 February 2020. Mr. Moore has over 20 years of experience in senior private equity roles including previously acting as Managing Director and Global Partner of the Carlyle Group. He currently serves on ASX boards for AMA Group and Palla Pharmaceuticals.

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	
ABM	Quarter ended ("Current quarter")
91 064 820 408	31-Dec-2019

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,854	3,820
1.2 Payments for		
(a) research and development	(100)	(215)
(b) product manufacturing and operating costs	(1,172)	(2,409)
(c) advertising and marketing	(32)	(62)
(d) leased assets	(38)	(66)
(e) staff costs	(707)	(1,507)
(f) administration and corporate costs	(520)	(899)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	(397)	(737)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	15	26
1.9 Net cash from / (used in) operating activities	(1,095)	(2,045)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		(11)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	(170)	(389)
(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		

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
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	(170)	(400)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	7,899	7,899
3.2	Proceeds from issue of convertible notes	3,612	3,612
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(267)	(267)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(9,452)	(9,508)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.1	Net cash from / (used in) financing activities	1,792	1,736

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	2,583	3,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,095)	(2,045)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(170)	(400)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,792	1,736
4.5	Effect of movement in exchange rates on cash held	16	(8)
4.6	Cash and cash equivalents at end of quarter	3,126	3,126

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		
5.1	Bank balances	883	883
5.2	Call deposits	2,243	2,243
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter	3,126	3,126

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	66
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Explanation below	
	Director's Fees' - \$56	
	Shares issued in lieu of salary - \$10	

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

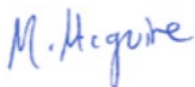
7.	Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	229
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Explanation below	

8.	Financing facilities available	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1	Loan facilities	4,223	3,874
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Explanation below		
	Fully Paid off GPB term note \$9M + closing fees. (Section 3.6) Added new 4 year 6% A\$5.15M secured convertible note on 24-Dec-19. (Section 3.2) 12 capital leases with a loan balance of \$0.26M @ an average rate of 9.5%		

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Research and development	140
9.2	Product manufacturing and operating costs	1,694
9.3	Advertising and marketing	26
9.4	Leased assets	33
9.5	Staff costs	655
9.6	Administration and corporate costs	329
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	2,876

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.



31 January 2020

Sign here:
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.