



ALEXIUM

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED**

31 March 2020

Q3 FY2020 Highlights:

- **Alexium signs supply agreement with Soft-Tex International**
 - Soft-Tex to exclusively purchase Alexicool® products
 - Innovation partnership combines technical and commercial strengths of both companies
- **Supply and evaluation agreement signed for Alexiflam® NF**
 - Agreement signed with a major flame retardant chemical company
 - The business partner will actively evaluate the potential market for Alexiflam® NF with existing and new customers
- **Continued progress in operating cash flow**
 - Cash receipts of US\$ 1.4m
 - Departmental operating costs of US\$ 1.0m
- **Alexium management of COVID-19 pandemic**
 - Operations continue to support customers and drive key initiatives
 - The company's liquidity position remains strong after the recent capital raise

Commenting on Q3 FY2020, Alexium CEO Dr Bob Brookins said:

"Alexium came into the new calendar year well poised with a strong management team and a revitalized capital structure to drive the commercialization of our flame retardant and thermal management products. Fortunately, these same strengths also prepared us for the unprecedented impact of COVID-19 on the global economy. This has been a difficult time for everyone to manage. We have been focused on maintaining operations while looking after the health and safety of our employees. This will continue to be our focus until we get to the other side of this pandemic.

"Despite these challenges, significant progress has been made this quarter. Two key milestones have been satisfied with the signing of an exclusive supply agreement with Soft-Tex and the supply/evaluation agreement for the commercialization of Alexiflam® NF. Both partners will be an important contributor to Alexium's success, and the team looks forward to working with them. Fortunately, the Company's liquidity remains strong after the successful AUD 22.3 million capital raise which was completed in January 2020. This positions the Company well to manage the near future of the COVID-19 pandemic as we continue to grow the Company."

Alexium signs exclusive supply agreement with Soft-Tex International

In mid-April, Alexium announced the signing of a supply agreement with Soft-Tex International, Inc., to exclusively purchase Alexicool® products for bedding systems based on Soft-tex's Reactex® technology for top-of-bed and mattress applications. Terms of exclusivity apply to both current and future PCM-based products from Soft-Tex International. The agreement has an initial two-year term and may be automatically renewed. The agreement specifies the provisions for the commercial relationship, including pricing, supply capabilities, and Alexium's analytical support for Soft-Tex commercial efforts. This agreement establishes a key strategic partner for Alexium, cements its position in an established supply chain, and is a key milestone for the first two growth pillars discussed in the half year presentation.

Alexium management of the COVID-19 pandemic

Since the onset of the COVID-19 pandemic, the management team has been closely monitoring guidance from the US Centre for Disease Control. Steps have been taken to protect the health and well-being of our employees and customers by minimizing the spread of COVID-19. All staff are continuing their work with approximately 1/3 of them working from home. This workplace arrangement allows us to continue supporting customers and driving key initiatives while abiding by best practices during this unprecedented epidemic.

The Company has been working diligently to maintain momentum of key initiatives. Work on Alexicool® products for total mattress cooling systems has generally not been affected by the pandemic, and as

discussed below, the global partnership for the commercialization of Alexiflam® NF is progressing well. Alexiflam® NF sock has experienced some minor delays but is continuing to move forward. Work on FR NyCo with Pine Belt Processing is temporarily halted due to governmental restrictions relating to COVID-19. We are continuing to prepare for further testing in Pine Belt's facility once the restrictions are lifted. All of these initiatives are being monitored on an active basis to drive these opportunities to the greatest extent possible during these difficult times.

Alexium sales for the quarter

Cash receipts in Q3 FY2020 totalled US\$ 1.4m based on sales of Alexicool® products to the bedding industry. These sales are down by US\$ 0.5m versus the prior quarter which was driven by the impact of COVID-19 on the global economy and not due to any changes to Alexium's customer base. Sales for the quarter were well distributed across textile and foam markets as well as across the full range of Alexium's bedding applications. We anticipate the effects of COVID-19 on sales to continue into the next quarter as the impact on the global economy is realized.

Supply & Evaluation Agreement Signed for Alexiflam® NF

On April 27, the Company announced the signing of a supply and evaluation agreement with a major flame retardant chemical company. This Agreement follows from the MOU announced on April 4, 2019 and provides terms for both parties to utilize their sales, marketing and technical resources to commercialize Alexiflam® NF in key markets. Over the past year, work with our business partner has been productive, and we have identified a strong list of target markets and customers for Alexiflam® NF. The Agreement is a key milestone for the fourth growth pillar of Alexium's strategic plan as outlined in the half year presentation in January 2020.

Appendix 4C

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

Name of Entity	
ALEXIUM INTERNATIONAL GROUP LIMITED	
ABN	Quarter ended
91 064 820 408	31-Mar-2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,410	5,231
1.2 Payments for		
(a) research and development	(118)	(332)
(b) product manufacturing and operating costs	(1,195)	(3,603)
(c) advertising and marketing	(13)	(74)
(d) leased assets	(38)	(104)
(e) staff costs	(599)	(2,106)
(f) administration and corporate costs	(243)	(1,142)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	(27)	(765)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	19	44
1.9 Net cash from / (used in) operating activities	(801)	(2,845)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(74)	(85)
(d) investments		
(e) intellectual property	(178)	(567)
(f) 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 (9 months) \$US'000
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)		
2.6	Net cash from / (used in) investing activities	(252)	(652)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,841	11,740
3.2	Proceeds from issue of convertible debt securities		3,612
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(492)	(760)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(40)	(9,547)
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	3,309	5,045
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,126	3,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(801)	(2,845)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(252)	(652)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,309	5,045
4.5	Effect of movement in exchange rates on cash held	(472)	(481)
4.6	Cash and cash equivalents at end of quarter	4,910	4,910

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

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	754	883
5.2 Call deposits	319	2,243
5.3 Bank overdrafts		
5.4 Other (provide details)	3,837	
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,910	3,126

6. Payments to related entities of the entity and their associates	Current quarter \$US'000
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	

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	3,707	3,393
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total Financing facilities	3,707	3,393
7.5 Unused financing facilities available at quarter end		
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 (Section 3.2)		
11 capital leases with a loan balance of \$0.22M @ an average rate of 9.6%		

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

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(801)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,910
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	4,910
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
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?	
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?	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

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: 30 April 2020

Authorised by: 
Belinda Cleminson – Company Secretary

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.