



ALEXIUM

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED**

30 June 2020

Q4 FY2020 Highlights:

- **UL Certification of Alexium FR Sock Product**
 - Alexium 100% cotton-based FR sock certified under 16 CFR 1633
 - This certification satisfies a critical milestone and enables the commercial launch of this product line.
- **Alexium Received Funding Under US CARES Act**
 - The Company received US\$ 460k in funding from the Payroll Protection Program
- **Alexium signs exclusive supply agreement with Soft-Tex International**
 - Soft-Tex to exclusively purchase Alexicool® products
 - Partnership leverages technical and commercial strengths of both companies
- **Supply and Evaluation Agreement Signed for Commercialization of Alexiflam® NF**
 - Agreement signed with a major flame-retardant chemical company
 - This partner will evaluate the potential market for Alexiflam® NF with existing and new customers
- **Continued progress in operating cash flow**
 - Cash receipts of US\$ 1.2m
 - Cash receipts for FY20 are US\$6.4m, an increase of US\$1.6m over FY19
- **Appointment of Paul Stenson as Non-Executive Director**
 - Dr. Stenson is the President & CEO of StanChem Polymers
 - Deep background in materials chemistry brings relevant skills sets to the board

Commenting on Q4 FY2020, Alexium CEO Dr Bob Brookins said:

“Alexium has had a dynamic quarter as we assessed and adjusted to the impact of the COVID 19 pandemic on key markets for the company. For the bedding market, which accounts for the bulk of our sales, we have seen significant swings in customer orders. While the initial response to the pandemic in March/April curtailed orders, we have since seen a notable recovery as everyone climatized to the circumstances. This is clearly a fluid situation, but we are encouraged by this trend.

“As a whole the staff at Alexium have responded in a proactive and productive way. Managing the health and safety of the employees has been a priority and effective protocols for minimizing the exposure of staff to COVID 19 have been implemented. Guidelines from the CDC and WHO have been used to protect the staff, and fortunately to date no one has contracted the coronavirus. For our key initiatives, the staff have worked to ensure that the momentum for these efforts is maintained as well as possible.

“Schedules for total mattress cooling systems (TMCS) and FR sock are tracking to plan; delays have affected work on FR NyCo as Pine Belt was designated as an “essential business” by the US military thereby restricting access to their key facility, but this has since been resolved and production testing at their facility is now underway. This progress through difficult times positions us well to continue to deliver on these key initiatives in the coming quarters and to continue driving the growth of the company.”

Alexium sales for the quarter

Cash receipts for the quarter totalled US\$1.2m which is down US\$0.2m versus the prior quarter. These sales cover the period of greatest impact of COVID-19 on the bedding industry as customers implemented significant inventory management measures. Sales for the quarter continue to be well-distributed across the full range of Alexium’s bedding applications. More recently, the bedding market has entered a recovery phase as customers increase inventory to pre-COVID levels; the management and commercial teams are working with customers to support their inventory management and other needs during this difficult time.

Alexium Received Funding Under US CARES Act

Alexium applied for and received \$460K in funding in May in the form of a two-year 1% annual interest loan from the US CARES Act – Payroll Protection Program (“PPP”). PPP explicitly states that the funds are to be used for payroll, lease payments and utilities. We have implemented controls and process to comply with the use of the funds and by doing this we expect the loan to be 100% forgivable. This funding has allowed us to maintain the employment at our current staffing levels which in turn allowed us to continue to work towards our growth objectives during these trying times.

Appointment of Paul Stenson as Non-Executive Director

On June 15 Dr. Paul Stenson was appointed as a non-executive director to the Alexium board. Dr. Stenson brings extensive experience in the development and commercialization of advanced materials for coating applications. He is the President and CEO of StanChem Polymers and has a PhD in Chemistry from University College Dublin. For nearly two decades Dr. Stenson worked with Valspar Corporation as the Technology Director of industrial coatings and later Vice President for global packaging in Europe. His deep background in materials chemistry brings relevant skills sets to the board.

UL Certification of Alexium FR Sock Product

During the reporting period Alexium received UL certification of its 100% cotton-based FR sock treated with the Company’s proprietary product Alexiflam® NF. This certification applies to flammability testing required by the US federal safety standard 16 CFR 1633 – a requirement for all foam-based mattresses. For this application, the sock’s FR barrier properties provide protection for the highly flammable foam components. This certification is a critical milestone for this initiative and enables us to move to the next phase of work being the commercial launch of this product line.

Alexium’s 100% cotton-based FR sock provides a unique value proposition for this market. Traditional FR socks are based on fiberglass technology; while this fiberglass technology provides an effective flame-retardant barrier, the high cost and consumer hazards are significant concerns in the market and are driving an interest in new technologies. Alexium’s FR sock is distinguished by key value propositions:

- Fiberglass-free FR sock addresses consumers’ need for a nonhazardous product
- 100% cotton fabric provides an eco-friendly and sustainable product
- Alexiflam NF provides a wash durable and lightweight application

The Company is in initial stages of working with new and existing customers as to how they can utilize this technology in their current and future product lines including adaptation of their existing production processes.

Alexium signs exclusive supply agreement with Soft-Tex International

Management is pleased to have finalized an exclusive supply agreement with Soft-Tex International for Alexium to be their exclusive supplier of Alexicool PCMs for their current and future product lines. Over the past three years, Alexium has developed a broad portfolio of Alexicool products that are designed for various application methods and end-products, and with this agreement both parties will leverage this product range to support the innovative product lines envisioned by Soft-Tex. The agreement details the provisions for the party’s commercial relationship and has an initial term of two years which may be automatically renewed. With this agreement, Alexium has established 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 Alexium half year presentation. Both parties are currently working together on new mattress and top-of-bed applications to take to the bedding market.

Supply and Evaluation Agreement Signed for Commercialization of Alexiflam® NF

On April 27, a Supply and Evaluation Agreement was signed with a major flame retardant company for the commercialization of Alexiflam NF. Alexiflam NF is a proprietary flame retardant developed by Alexium for cotton-based fabrics, a flame-retardant market for which more than 300 million square yards is used globally on a per annum basis. The goal of this agreement is for both parties to utilize their technical and commercial resources to commercialize Alexiflam NF for target market segments. Alexium will continue to lead commercialization efforts for active market segments such as FR socks on mattresses and military uniforms. Under this agreement, the focus is on new market segments for which our partner has expertise and insights on how to leverage the unique value propositions of Alexiflam NF.

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	30-Jun-2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,192	6,423
1.2 Payments for		
(a) research and development	(83)	(415)
(b) product manufacturing and operating costs	(706)	(4,310)
(c) advertising and marketing	(16)	(91)
(d) leased assets	(37)	(142)
(e) staff costs	(667)	(2,773)
(f) administration and corporate costs	(172)	(1,314)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	17
1.5 Interest and other costs of finance paid	(55)	(819)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	21	66
1.9 Net cash from / (used in) operating activities	(513)	(3,358)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(17)	(102)
(d) investments		
(e) intellectual property	(344)	(911)
(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 (12 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	(361)	(1,013)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		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	460	(299)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(34)	(9,582)
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	426	5,471
0			
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	4,910	3,843
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(513)	(3,358)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(361)	(1,013)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	426	5,471
4.5	Effect of movement in exchange rates on cash held	278	(203)
4.6	Cash and cash equivalents at end of quarter	4,740	4,740

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	3,136	754
5.2 Call deposits	366	319
5.3 Bank overdrafts		
5.4 Other (provide details)	1,238	3,837
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,740	4,910

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	4,070	3,731
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total Financing facilities	4,070	3,731
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) 10 finance leases with a loan balance of \$0.19M @ 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)	(513)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,740
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	4,740
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9
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: 31 July 2020

Authorised by: the Board

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.