



# ALEXIUM

**ALEXIUM INTERNATIONAL GROUP LIMITED**

FY2024 Half-Year Results

15 March 2024

ABN 91 064 820 408

PRESENTED IN US DOLLARS

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# COMPANY OVERVIEW

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# ALEXIUM



*"Alexium's value to customers is technology enabling them to create a unique user experience that drives higher sales volumes at improved margins..."*

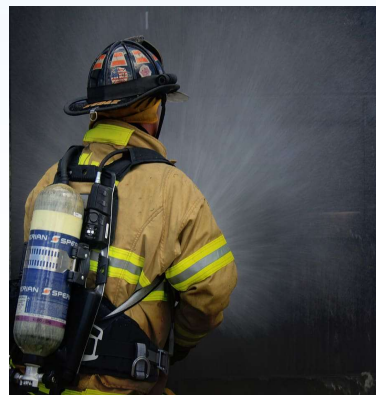
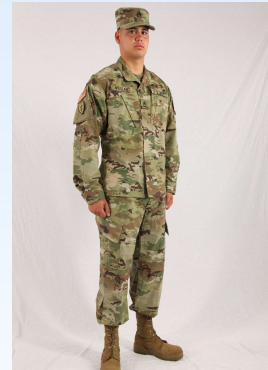
## Company Overview

- A performance materials company leveraging proprietary technical innovations to deliver thermal regulation, dehumidification and flame-retardant solutions.
- A pioneer in microencapsulation specialising in phase change materials and innovative composites that offer adaptive thermal management through continuous heat reduction and dehumidification.
- Advanced research, product development and analytical laboratories.
- With 25 global patent applications in the thermal regulation and flame-retardant fields, Alexium delivers value-add innovations for bedding textiles, military fabrics, athletic gear, packaging, tactical gear and flame-resistant fabrics.
- Alexium products are made in the US and distributed globally.



## Market Segments

- Bedding: flame-retardants and cooling products for mattress and pillow producers
- Military: flame-resistant fabrics for uniforms
- Industrial: flame resistant fabrics for workwear
- Tactical: textiles for cooling for protective gear
- Athletics: textiles for cooling in helmets, pads and footwear
- Packaging: sustainable temperature-control for reusable food, pharmaceutical and medical containers

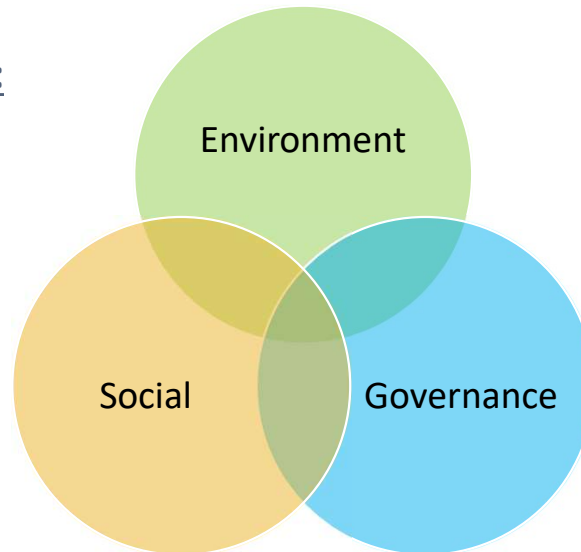




# Alexium's ESG Commitment

\*By FY25, Alexium will establish baselines, metrics and KPIs for ESG performance:

- ❖ **Environment:** waste reduction, energy conservation, and sustainably sourced raw materials
- ❖ **Social:** qualification-based gender & race pay equality, community investment
- ❖ **Governance:** transparency into corporate integrity, compliance auditing



## SUSTAINABLE PRODUCT FOCUS:

**Biocool®** | Alexium's proprietary biobased cooling technology for textile & foam applications

- ✓ Biobased, sustainable raw materials
- ✓ 94% biobased content (highest in market)
- ✓ Registered with the USDA BioPreferred program
- ✓ Certified under the Ecocert COSMOS program

## PCM BioPreferred Sales Mix Goal:

FY24 Goal

70%

FY24 H1 Actual

75%

**Environmental, Social and Governance (ESG) Statement:** Alexium is committed to providing innovative and sustainable solutions to our customers and end consumers. We take responsibility for our impact on the environment and human welfare seriously and are dedicated to exceeding industry standards for safety and environmental sustainability. The board recognises the importance of formally integrating Environmental, Social and Governance (ESG) principles into our daily operations and as such, is committed to implementing a transparent, data driven program to help identify opportunities to align our business activities with these values.

\*The current ESG regulatory requirements in Australia for a company the type and size of Alexium are not mandatory until at least FY27 and would require that AJX meet an annual revenue threshold of A\$50M annual revenue.

# Alexium's Commercialised Product Portfolio



## PCM Comfort Technologies

AlexiCool®

- Premium PCM cooling for mattress and top of bed
- Absorbs heat while providing comfort and coolness

BioCool™

- Microencapsulated PCM products (mPCMs) for textile/foam applications
- USDA BioPreferred Certified (mPCM) with 94% biocontent  
EcoCert COSMOS Certified (PCM)



## New Comfort Technologies

DelCool™

- Newest introduction to Alexium's thermal management product portfolio
- Textile composite based on a patent pending, first-in-class technology
- Humidity management improves comfort all night long

Eclipsys®

- Textile composite for infinite comfort
- Improves heat flux in bedding, shoes, tactical gear and body armor components by more than 100%

## Flame Retardant Technologies

alexiflam®

- Customised solutions
- Designed for use in a variety of markets: bedding, FR mattress socks, FR suits (PPE), military fabrics, and carpet

alexiguard

- Flame retardant emulsion for use on 100% polyester fabric
- Nontoxic aqueous based solution, free from halogen, antimony, formaldehyde and phosphate salts

# FY24 – 27 Strategic Pathway

## FY23 Focus

- ✓ **Team** : Strengthen the organisation with the addition of a new CEO and increased focus of Dr Brookins on technology/product development
- ✓ **Culture** : One Team
- ✓ **Growth (70:20:10)**
  - ✓ Year-on-year revenue growth in core bedding market (Alexicool®, BioCool®, DelCool™, Eclipsys®)
  - ✓ Progress FR Nyco for military.
  - ✓ Commercialise Eclipsys® for tactical gear
  - ✓ Commence product testing with alpha customers in new markets (e.g., Shoes, cold chain)
- ✓ **Operations** : Secure the Company's supply chain to ensure resiliency
- x **Financial** : Cash flow positive

## FY24 Diversify

- **Team** : Build out direct sales and BD
- **Culture** : Sales and marketing centric
- **Growth (40:20:40)**
  - Year-on-year revenue growth in core bedding market (Alexicool®, BioCool®, DelCool™, Eclipsys®)
  - Progress FR Nyco for military.
  - Commercialise Eclipsys® for tactical gear
  - Commercialise Eclipsys® and FR in new markets (e.g., shoes, cold chain, workwear)
- **Operations** : Secure the Company's supply chain to ensure resiliency
- **Financial** : Cash and commercial discipline; Cashflow positive
- **Funding** : Adequate funding in place

## FY25-27 Profitable Growth

- **Team** : Bolster operations team, mature sales execs
- **Culture** : One Team – Customer-centric; success breeds success.
- **Growth (40:20:40)**
  - Capitalise on globally unique and patent-protected product range
  - Commercialise key product platforms in major international markets
  - Expand the product application range into large adjacent markets (e.g. outdoor apparel/gear, shoes, automotive, electronics)
- **Operations** : Realise benefits of increased scale
- **Financial** : Material growth in earnings, cashflow and share price



# FY24 Strategic Priorities

- ✓ **Build out and strengthen Alexium's direct sales and business development team (adding manufacturing reps)**
- ✓ Heightened **cash and commercial discipline** to improve funding runway and allow investment in key new product/market initiatives
- ✓ Drive **pipeline conversion**, and **strike supply, agency and partnership agreements** to increase the cadence of our go-to market flywheel
  - **YoY growth in our core bedding market (Alexicool®, BioCool®, DelCool™ and Alexiflam®)**
  - **Commercialise FRNyco** for military and/or non-military workwear
  - **Commercialise Eclipsys®** for tactical gear
  - **Commercialise Eclipsys®** in adjacent markets (cold chain and footwear)
  - **Commercialise FR** in adjacent markets (mattress textiles and workwear)
- ✓ **Operations highlight** – diversify supplier base to reduce supply chain risk and lower costs
- ✓ Ensure **adequate funding** in place to support our “Focus, Diversify and Grow” strategy



# FY24 H1 Highlights

Alexium is now focused on a simple over-arching strategy: *Grow and Diversify Revenue*. This strategy ensures that we maintain our share in our core bedding market despite the market headwinds while growing revenue by commercialising our portfolio of technologies into new markets such as footwear, cold chain packaging, and globally into new geographies.

In FY23, we focused c70% of our effort on our core Bedding market and c30% of our effort on commercialising our technology portfolio into new markets. As reported previously, in FY23 we made progress in all our focus areas.

In FY24 H1, we shifted our core : adjacent : breakthrough balance from 70:20:10 to 40:20:40, enabled by the progress we made in FY23.

Our overall objective in FY24 is to grow and diversify our revenue base, supported by the following initiatives:

- **Team:** Build out direct sales and business development.  
Status: two new sales executives are joining the team in late Q3 and early Q4:
  - Uriel Infante joined Alexium on 27 February. He has significant business development experience and comes from the cold chain packaging industry.
  - Jay Shealy joins the team in early April. Jay has significant experience in the specialty chemical industry.
- **Culture:** Become more sales and marketing centric. Status: the entire team at Alexium now understands that we all serve the customer and are in “sales”.



# FY24 H1 Highlights

- **Diversify and Grow:**

- Shift Core/Adjacent/Breakthrough focus priorities from 70:20:10 → 40:20:40

Status: the 20% adjacent focus and 10% breakthrough focus (30% combined) are trending toward 40% of the company's daily efforts, which is evidenced in the business and product development pipeline.

- Achieve year-on-year revenue growth in core bedding market with core product offerings (Alexicool®, BioCool®, DelCool™ and Eclipsys® products)

Status: New placements of PCM (BioCool® & Alexicool®) are in customer testing abroad, with new inquiries from three major bedding producers in the AUS and NZL region. DelCool™ fabric is now active in three US retailers with order volumes growing. Eclipsys® and DelCool™ products are being launched under a major bedding brand in pillows and mattresses in the second half of CY24, with the initial sales campaign on a home shopping network in July 2024.

- Progress FR Nyco for military

Status: Alexium passed the “Pyroman” burn testing in FY24 H1 then continued development efforts to enhance the aesthetics of the fabric. Alexium has made significant improvements to the aesthetics (feel and drape). Alexium is awaiting instructions on next steps from the Army regarding its testing budget and plans to request proposals from those in consideration.

- Commercialise Eclipsys® fabric for tactical gear

Status: Completed. Next, we shift our commercial development efforts from selling to vest producers to selling to buyers for large public agencies. This change is driven by the previous approach of working with several tactical vest producers to launch an Eclipsys®-based cooling option as an upgrade in retail channels, which has proven unsuccessful. The revised strategy is to approach a large user base that will request the Eclipsys® cooling option in a large public bid for tactical gear.



## FY24 H1 Highlights (cont.)

- **Diversify and Grow (continued):**

- Commercialise PCM, Eclipsys® fabric, and FR into new markets (e.g. shoes, cold chain, workwear)

Status:

- Two product development projects with major shoe brands for the Eclipsys® technology are in process. Alexium's internal test results are very compelling. This revolutionary technology will dictate premium pricing so the target market for this product is high-end brands that want to differentiate their product.
- Enhancements to the Alexiflam® products' wash durability are underway to ready it for deployment in workwear applications.
- The company has signed a Letter of Intent with a major international bedding brand granting exclusivity for a newly developed FR chemistry for FR mattress socks. This triggers expedited product development work between the companies to add this chemistry to existing fabrics in a live production change in CY 24.

- **Operations:** Secure the Company's supply chain to ensure resiliency

Status: Additional production site being qualified to produce Alexium's FR chemistry. Secondary and tertiary supply partners secured for critical and long-lead-time raw materials.

- **Financial:** Cash and commercial discipline to bring the business to cashflow positive.

Status: All progress in growing and diversifying revenues is advancing the business towards achieving this major milestone.

- **Funding:** Adequate funding in place to execute the business plan.

Status: New loan from CCP closed in December. Recapitalisation of the business is underway and expected to finalise in FY24 Q4, pending shareholder approval.



## FY24 H1 Highlights (cont.)

- **Supply Agreements with Major Customers** - An initiative within the Company is to enhance the predictable recurring nature of our revenue. We intend to move several of our larger customers from spot purchase or specific-program buying to long-term product supply agreements with defined pricing, supply capabilities and Alexium's analytical support.
  - BekaertDeslee NV – the Company has entered into a supply agreement with existing customer BekaertDeslee NV to provide Alexicool® and BioCool® phase change material (PCM) products for bedding systems across North America with an initial term of 3 years and a provision for automatic renewal. BekaertDeslee NV is the world's leading specialist in the development and manufacturing of mattress textiles, mattress covers and on-trend sleep solutions with headquarters in Waregem, Belgium. BekaertDeslee NV employs 4000+ people in 27 business locations in 19 countries.
  - Serta Simmons Bedding – the Company has entered into a supply agreement with existing customer Serta Simmons Bedding to provide Alexicool® and BioCool® phase change material (PCM) products for bedding systems with an initial term of 3 years. Serta Simmons Bedding, LLC (SSB) is one of the leading global sleep companies. With a 150-year heritage in delivering industry-leading sleep solutions and a mission to help people sleep better so they can live healthier lives, the company is headquartered in Doraville, GA, and owns top brands such as Serta®, which has five other independent licensees, Beautyrest®, Tuft & Needle® and Simmons®. For more information about SSB and its brands, visit [sertasimmons.com](https://sertasimmons.com).
  - Contract negotiations underway with three additional major customers.

The Company is making great progress on these initiatives, and investor updates will be made at a cadence of approximately every six weeks. Other updates will come through the Alexium website, LinkedIn, and Half Year and Full Year webinars.



## FY24 H2 and FY25 Forward Focus

The near-term focus will be a continuation of converting development opportunities into recurring revenue streams. The strategy deployed in FY23 (*Grow and Diversify*) is gaining traction and is exemplified in Alexium's business and product development pipeline, which is full of qualified growth projects in our core market of bedding and in new non-bedding markets in the US and globally. The company's operations and supply chain continue to mature as Alexium adds new production volumes. With the added sales professionals in FY24 H2, Alexium embarks on a new season of increased sales activities to aggressively grow revenue. This approach assures that the company stays aligned with delivering meaningful results in the near-term. There is a pragmatic focus at Alexium to fully commercialise the existing technologies developed over the past five years. Once we achieve significant growth in sales and earnings from those efforts, we will continue launching innovative products to pave the way for profitable growth for years to come. Alexium will maintain this balanced approach of first delivering success from past developments while allowing for innovation in the background.



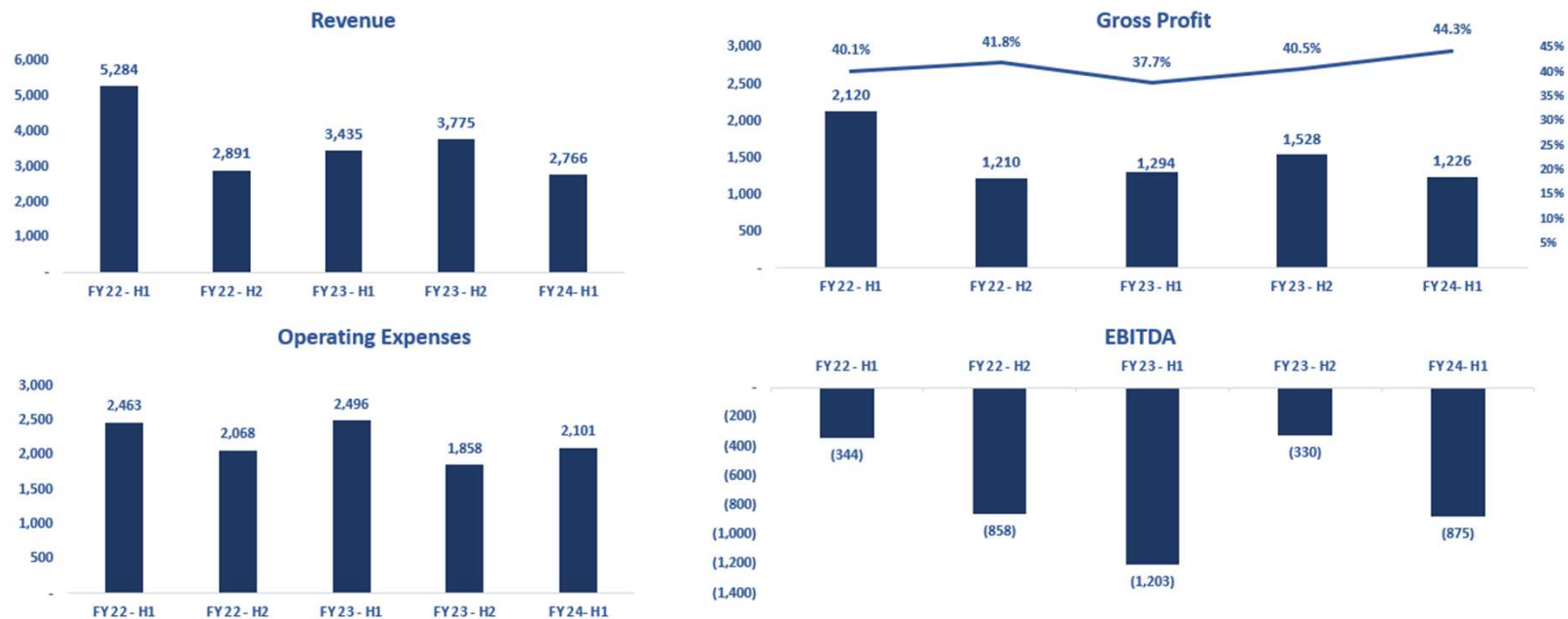
# FY24 Financial Overview

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# Financial Snapshot

- ✓ Half-year revenue down 19.5% year over year
- ✓ Gross Profit only decreased \$68K or 5.2% vs H1 FY23 in spite of revenues being down 19.5%
- ✓ Gross margin at 44.3% is up 6.7 percentage points from the same period last year due to customer/product mix and manufacturing cost improvements
- ✓ Operating expenses are down 15.8% or \$395K versus prior year
- ✓ Net cash outflows from operating activities improved by \$0.8m to \$(0.4)m



All values in USD and thousands unless otherwise noted

# Financial Spotlights

## ***Profit and Loss***

- ✓ Half-year revenue down 19.5% year over year but gross profit is down only 5.2% due to improved gross margins
- ✓ Operating expenses down 15.8% or \$395K versus prior year

## ***Borrowings and Capital Raise***

- ✓ In December, the Company announced its intention to enter a capital raise and refinancing transaction (“Transaction”), pending shareholder approval which includes the following provisions
  - ✓ Minimum amount of new equity of A\$4.0 million (A\$2.0 million already received via a Bridging Loan and the remaining A\$2.0 million to be received in additional cash) via a fully underwritten entitlement offer and placement
  - ✓ Retirement of the Company’s existing A\$7.0 million convertible note and accrued interest thereon in exchange for shares
  - ✓ Colinton Capital Partners (CCP) provided a bridging loan of A\$2.0 million (US\$1.4 million) to enable the Company to continue to execute its business plan while it seeks shareholder approval on the Transaction. The bridging loan matures on 23 June 2025 and carries an interest rate of 15%, but the interest rate will increase to 20% on 1 July 2024 if the Transaction is not approved by shareholders

## ***Going Concern***

- ✓ The Company’s cash position is strong with the receipt of funds from the bridging loan
- ✓ Revenue and cash flow forecasts show strong opportunities in the pipeline, including continued market growth with BioCool®, Eclipsys® and DelCool™ patented technologies. The Company has hired two senior executives to help drive commercialisation of its product portfolio with new and existing sales pipeline opportunities
- ✓ Availability on the asset-based line of credit remains strong

## ***Risks***

- ✓ Supply chain continues to strengthen with the building out of alternative materials, suppliers and toll manufacturers

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All values in USD and thousands unless otherwise noted

# FINANCIAL RESULTS

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# Cash Flow Statement



- Operating Activities outflows improved \$0.8m with changes in:
  - ✓ \$0.5m – cash receipts from higher sales in H2 FY23
  - ✓ \$0.2m - product purchases & manufacturing from lower sales and inventory management
  - ✓ \$0.1m – all other costs
- Investment Activities outflows decreased by \$0.1m due to lower internal development costs on Intangible Assets
- Financing Activities cash inflows increased by \$0.3m due to the cash received from the bridging loan (vs. prior year proceeds from modification of the convertible note) offset by higher repayments of borrowings (primarily on the Alterna line of credit)

	HY24 (USD)	HY23 (USD)
<b>Cash flow from operating activities</b>		
Receipts from customers and other income	3,257	2,713
Payments to suppliers and employees	(3,624)	(3,837)
Interest received	6	4
Interest and other costs of finance paid	(34)	(68)
Goods & services tax received	22	15
<b>Net cash flows (used in) operating activities</b>	<b>(373)</b>	<b>(1,174)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(3)
Payments for development costs	(116)	(193)
<b>Net cash flows (used in) investing activities</b>	<b>(116)</b>	<b>(196)</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from borrowings	3,215	2,645
Proceeds on substantial modification of convertible note	-	1,022
Proceeds from bridging loan	1,368	-
Repayment of borrowings	(2,852)	(2,211)
Share issuance transaction costs	-	(1)
<b>Net cash flows from/(used in) financing activities</b>	<b>1,731</b>	<b>1,456</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,242</b>	<b>86</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>513</b>	<b>1,027</b>
Effect of exchange rate changes on cash	1	(11)
<b>Cash and cash equivalents at end of year</b>	<b>1,756</b>	<b>1,102</b>

# Profit & Loss Statement



- While revenue has declined \$.7m year on year, the business has a strong retention rate of existing customers and has hired two new business development professionals to drive commercialisation of its product portfolio with new and existing sales pipeline opportunities
- Gross Profit is down \$68K with decreased revenue offset to a large degree by higher gross margins. Gross margins have improved with customer/product mix and reduced manufacturing costs
- Operating expenses decreased by \$0.4m with decreases in headcount and normal operating expenditures
- Depreciation and amortisation expense increased by \$68K due to increased capitalisation of intangible assets
- Interest expense is up with the rise in interest rates on the line of credit, higher rates on the restated convertible note and the addition of the bridging loan

	HY24 (USD)	HY23 (USD)	Change	% Change
Sales Revenue	2,766	3,435	(669)	(19.5%)
Cost of Goods Sold	(1,541)	(2,142)	601	(28.1%)
<b>Gross Profit</b>	<b>1,226</b>	<b>1,294</b>	<b>(68)</b>	<b>(5.2%)</b>
<b>Gross Margin</b>	<b>44.3%</b>	<b>37.7%</b>	<b>6.7%</b>	
Operating expenses	(2,101)	(2,496)	395	(15.8%)
<b>Operating EBITDA <sup>(1)</sup></b>	<b>(875)</b>	<b>(1,203)</b>	<b>327</b>	<b>27.2%</b>
Depreciation & Amortisation	(397)	(329)	(68)	20.7%
<b>EBIT</b>	<b>(1,272)</b>	<b>(1,531)</b>	<b>259</b>	<b>(16.9%)</b>
Interest & Amortisation-Convertible Note	559	463	96	20.7%
Loss on Debt Extinguishment	-	576	(576)	(100.0%)
(Gain)/Loss Change in FV of Derivative	138	(192)	330	(171.5%)
Finance income	(6)	(4)	(2)	67.8%
<b>Finance Costs Total</b>	<b>690</b>	<b>843</b>	<b>(153)</b>	<b>(18.2%)</b>
<b>Net Loss</b>	<b>(1,962)</b>	<b>(2,375)</b>	<b>412</b>	<b>17.4%</b>

(1) Operating EBITDA is a non-GAAP financial measure see appendix for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.



# Balance Sheet



- Working Capital
  - Overall net working capital decreased by \$0.3m. Trade receivables and inventory were lower due to decreased sales and inventory management, offset by a decrease in trade and other payables for the same reason
- Non-Current Assets
  - Decrease of \$0.3m due to current year depreciation and amortisation partially offset by additional capitalisation of intangible assets
- Current Liabilities
  - Trade payables and Line of Credit in line with prior year in total
- Non-Current Liabilities
  - Bridging loan added in FY24 for \$1.4m
  - Increased derivative liability with revaluation of derivative
  - Lease liability related to the right-of-use asset for the Greer, SC location

	31-Dec-23 (USD)	30-Jun-23 (USD)
<b>Current Assets</b>		
Cash and cash equivalents	1,756	513
Trade and other receivables	545	1,047
Inventories	445	825
Other current assets	49	87
<b>Total Current Assets</b>	<b>2,795</b>	<b>2,472</b>
<b>Non-Current Assets</b>		
Other financial assets	17	18
Property, plant and equipment	614	731
Intangible assets	1,595	1,695
Right of use asset	410	465
<b>Total Non-Current Assets</b>	<b>2,636</b>	<b>2,909</b>
<b>Total Assets</b>	<b>5,431</b>	<b>5,381</b>
<b>Current Liabilities</b>		
Trade and other payables	585	990
Lease liabilities	146	136
Line of Credit	600	161
<b>Total Current Liabilities</b>	<b>1,331</b>	<b>1,288</b>
<b>Non-Current Liabilities</b>		
Borrowings	5,788	3,787
Derivative liability	862	688
Lease liabilities	525	601
<b>Total Non-Current Liabilities</b>	<b>7,176</b>	<b>5,076</b>
<b>Total Liabilities</b>	<b>8,507</b>	<b>6,364</b>
<b>Net Assets</b>	<b>(3,076)</b>	<b>(983)</b>
<b>Equity</b>		
Contributed equity	66,721	66,611
Reserves	(1,509)	(974)
Accumulated losses	(68,288)	(66,619)
<b>Total Equity</b>	<b>(3,076)</b>	<b>(983)</b>

All values in USD and thousands unless otherwise noted

# APPENDIX

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# Non-GAAP Financial Measure Reconciliation

## Reconciliation of Operating EBITDA (non-GAAP financial measure) to statutory Net Profit/(Loss)



The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards Board (IASB).

This presentation includes a non-GAAP financial measure which is not prepared in accordance with IFRS being:

**Operating EBITDA:** calculated by adding back (or deducting) finance expense/(income), depreciation, amortisation, gain/(loss) in FV of derivative liability, and loss on debt extinguishment to net profit/(loss) after tax.

The Group uses this measure internally and believes this non-GAAP financial measure provides useful information to readers to assist in understanding financial position or returns, but this they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS.

Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

	<b>HY24 (USD)</b>	<b>HY23 (USD)</b>
<b>Net Loss for the period</b>	<b>(1,962)</b>	<b>(2,375)</b>
<b>Add</b>		
(+) Depreciation	<b>172</b>	<b>181</b>
(+) Amortization	<b>225</b>	<b>147</b>
(+) Interest expense	<b>559</b>	<b>463</b>
(+/-) Gain/(Loss) in FV of derivative liability	<b>138</b>	<b>(192)</b>
	<b>1,093</b>	<b>1,175</b>
<b>Less</b>		
(-) Interest Income	<b>6</b>	<b>4</b>
	<b>6</b>	<b>4</b>
<b>Operating EBITDA</b>	<b>(875)</b>	<b>(1,203)</b>