



ALEXIUM

**QUARTERLY ACTIVITIES REPORT FOR
THE PERIOD ENDED
MARCH 31, 2019**

Q3 FY2019 Highlights:

- Supply agreement signed with a multi-billion-dollar North American bedding manufacturer as supplier of phase-change material products for the majority of the textile PCM applications to their bedding products
- Development Agreement signed with Pine Belt Processing for the development of Alexium flame-retardant chemistry for standard issue nylon/cotton fabrics for US military uniforms
- Appointment of Rosheen Garnon as Non-Executive Chair
- Strengthening sales and improved margins

Post-Quarter Highlights:

- Memorandum of Understanding (MoU) signed with ICL, a global speciality minerals and chemicals company, for the development of a strategic partnership for the global marketing, sales and potential manufacture of Alexiflam NF for cellulosic materials such cotton-rich textiles.
- Alexiflam NF granted TSCA registration by the Environmental Protection Agency (EPA) providing regulatory compliance for sales in the United States (US)

Commenting on Q3 FY2019, Alexium CEO Dr Bob Brookins said:

“Since the start of this year, Alexium has achieved a number of key milestones. We have established strategic partnerships, any one of which could deliver transformational growth for the Company and its proprietary technology.

“ICL as the world’s largest provider of phosphorous based flame retardants offers access to a receptive global audience for Alexium via its existing customer base. Pine Belt Processing, having provided functional coatings on over 25 million US military uniforms, has gained a strong position of trust and expertise within the US armed forces. In addition, our new relationships in the bedding industry are now contributing both to accelerated sales and revenue visibility for our PCM business.

“We expect to achieve positive monthly EBITDA on an ongoing basis by the fourth quarter of this calendar year, and sustained profitable growth in the years ahead.”

Supply Agreement Signed with Multi-Billion-Dollar Bedding Manufacturer

On 28 March, Alexium entered into a Supply Agreement with a multi-billion-dollar North American manufacturer of mattresses as the preferred supplier of phase-change-material products for textile applications to their bedding products with the intent to form a strategic partnership.

Under the Supply Agreement, Alexium will provide its Alexicool® products (a proprietary line of phase-change-material products) for application across the mattress manufacturer’s brands. The Supply Agreement has a two-year term that may automatically renew for successive one-year terms. This Supply Agreement clearly illustrates Alexium’s alignment with a leader in the mattress industry to provide mattresses with improved thermal regulation.

Dr Bob Brookins said: *“Our North American partner has grown and sustained its position in bedding manufacturing and distribution by embracing innovation and technology. This agreement combines their bedding experience with our speciality expertise in phase-change-material chemistry and its application to textiles. As demand for temperature management in bedding grows, it offers the exciting opportunity for us to bring Alexicool® cooling technology to a wider range of bedding products and to explore and expand additional areas of technical collaboration with a strategic partner.”*

Development Agreement Secured with Pine Belt Processing

On 26 March, Alexium announced the signing of a mutually exclusive Development Agreement with Pine Belt Processing (Pine Belt), a subsidiary of Warmkraft, Inc., covering the development and potential supply of Alexium’s flame-retardant chemistry for the treatment of nylon/cotton military uniforms. The agreement follows months of product refinement and testing to provide a no melt, no drip flame retardant function for standard issue US military nylon/cotton uniforms.

Pine Belt has significant expertise in the treatment of US military textiles having successfully treated over 25 million US military uniforms with their proprietary insect repellent coatings. Under the terms of the Development Agreement, Alexium will work with Pine Belt to comply with their production requirements and to facilitate the provision of treated uniforms by Pine Belt to the US military for limited user evaluation (LUE or “wear trials”).

This initiative is in addition to Alexium’s efforts to develop flame retardant fabrics as used for the Flame-Resistant Army Combat Uniform (“FRACU”) program which involves the redesign of a specialist uniform. Alexium remains involved and active with this effort, but is currently focusing its resources in advancing the Pine Belt initiative.

MoU with ICL Provides Global Manufacturing and Distribution Opportunities

During the quarter, Alexium concluded negotiations and in April signed an MoU with dual listed ICL (TASE/NYSE:ICL), a specialty minerals and chemical company with a leading position globally in the production and sale of brominated and phosphorous flame retardants. The MoU establishes a framework for the potential commercialisation of the disruptive Alexiflam NF chemistry, leveraging ICL’s unrivalled global manufacturing, sales capabilities and extensive existing customer base.

By eliminating the expense and logistical challenges associated with a global product launch, Alexium will instead focus resources on creating shareholder value via further innovation and product development. Subject to the terms of the final agreement, ICL will be granted sole manufacturing, marketing and sales rights to the Alexium NF product globally, but with Alexium retaining rights over selected key applications currently under development.

Appointment of Rosheen Garnon as Non-Executive Chair

On 29 March, Alexium announced the retirement of Sue Thomas and appointment of former KPMG senior partner Rosheen Garnon as the Board’s Non-Executive Chair. This follows Ms Garnon’s appointment as an independent non-executive director in September 2018. Ms Garnon brings a wealth of experience, knowledge and leadership skills that will support the Company as it scales its long-term sustainable growth through strategic partnership opportunities.

Alexium NF granted TSCA Registration

Post quarter end, on 24 April, Alexium announced that it had received US Environmental Protection Agency (EPA) approval under the US Toxic Substances Control Act (TSCA) for the manufacture and sale of Alexiflam® NF in the US. TSCA regulates the introduction of new chemical products in the US.

This approval provides Alexium with the ability to manufacture and sell the volumes of Alexiflam® NF needed to support the Company's sales targets for military and industrial application in the US, which represents the largest global market for flame retardant cotton products. The approval builds on the MoU with ICL for them to act as the future manufacturer and distributor of Alexiflam® NF.

Substantial Growth in Cash Receipts

Cash receipts of \$1.2 million in Q3 FY2019 were up approx. 50% on the prior quarter (Q2 FY2019: \$0.8 million) due to increased sales.

Product manufacturing and operating costs of \$1.0 million include raw material purchases for current and anticipated orders that will be shipped and invoiced in Q4 FY2019. Staff costs were down by \$0.2 million as a result of management changes made in the previous quarter. Administration costs of \$0.3 million were \$0.2 million lower than the previous quarter due to effective cost controls.

Quarterly Update Conference Call

CEO Dr Bob Brookins and CFO Jason Lewis will host a conference call and live audio webcast at 10:30am AEST today (Monday, 29 April 2019) to present the Company's quarterly operational update.

For those wishing to dial into the call, please register for the call through the following link: <https://services.choruscall.com.au/diamondpass/alexium-492145-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the **conference ID 492145** to the operator.

Australia Toll Free:	1 800 558 698
Australia Local:	+61 2 9007 3187
United States:	855 881 1339

The live webcast will be accessible by using the link below. Questions will need to be submitted electronically through this webcast interface. For those wishing to access the webcast please register by clicking on the following link:

<https://edge.media-server.com/m6/go/alexium-march2019-update/>

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")

31 Mar 2019

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	1,174	2,758
1.2 Payments for		
(a) research and development	(96)	(350)
(b) product manufacturing and operating costs	(975)	(1,932)
(c) advertising and marketing	(26)	(130)
(d) leased assets	(34)	(72)
(e) staff costs	(587)	(2,084)
(f) administration and corporate costs	(272)	(1,524)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	23
1.5 Interest and other costs of finance paid	(317)	(899)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST received)	9	51
1.8 Other(FX Effect on Intercompany Transfer)	-	-
1.9 Net cash from / (used in) operating activities	(1,119)	(4,159)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(32)	(55)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(166)	(515)
(e) other non-current assets	(10)	(30)
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	(207)	(599)

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	(61)	(1,198)
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	(61)	(1,198)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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	6,015	10,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,119)	(4,159)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(207)	(599)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(1,198)
4.5	Effect of movement in exchange rates on cash held	6	(52)
4.6	Cash and cash equivalents at end of quarter	4,634	4,634

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	348	145
5.2	Call deposits	4,287	5,870
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)	4,634	6,015

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	107
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' - \$31
Consulting Fees- \$28
Travel Reimbursement- \$8
Shares issued in lieu of salary - \$40

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	187
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	10,862	9,425
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.		

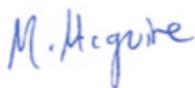
Term loan with a balance of \$9.0M @ 13.5% interest plus 16 capital leases with a loan balance of \$0.4M @ an average rate of 9.4%

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	121
9.2 Product manufacturing and operating costs	1,082
9.3 Advertising and marketing	48
9.4 Leased assets	31
9.5 Staff costs	791
9.6 Administration and corporate costs	371
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	2,444

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 April 2019

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.