

Alexium 4E: Strategic partnerships to drive future growth

Perth (Australia), Greer (South Carolina, US) – 30 August 2019: Alexium International Group Limited (ASX: AJX) today announced its results for the financial year ended 30 June 2019 (FY 2019).

Over FY 2019, the Company made significant progress to refocus on its high-margin cornerstone initiatives that will underpin future sustainable growth. Alexium CEO Dr Bob Brookins said: “FY 2019 was a transformational year for Alexium, as the new leadership team formed strategic partnerships with industry leaders in key markets and broadened our distribution channels to position us to scale orders in FY 2020.”

The financial results for FY 2019 reflect the discontinuation of low margin products, with revenue for the year of US\$5.1 million (FY18: US\$11.9 million) and a loss after income tax of US\$6.9 million. The second half of the year saw steady improvement in sales, accounting for 69% of sales for the year. Additionally, EBITDA improved significantly in the second half of the year with a strategic focus on high-margin products. This is also reflected in the reduction of the cash used in operating activities for the second half of the year.

Agreements signed with key Alexiflam® partners provide access to new markets

Under the leadership of Alexium’s new senior team, the Company focused on securing strategic partnerships to facilitate revenue growth in future financial periods.

An exclusive Development Agreement was signed with Pine Belt Processing for the Alexiflam® FR technology, providing Alexium with access to the large US military uniform market. We anticipate signing a Supply Agreement following an integration process.

Alexium also successfully secured a Memorandum of Understanding (MOU) with ICL, establishing a framework for the potential commercialisation of Alexiflam® NF. Having received approval from the US Environmental Protection Agency (EPA) to manufacture and sell product in the US, Alexium is well positioned to drive commercialisation in the global market for flame-retardant cotton.

Supply Agreements signed for Alexicool® Technology to drive near-term sales growth

Reflecting the strong demand for its Alexicool® technology, Alexium secured two key Supply Agreements with Pegasus Home Fashions and a multi-billion-dollar North American mattress manufacturer. The bedding industry is a key strategic priority for Alexium, and it is anticipated that customers will increase their range of Alexicool-based bedding products, driving Alexicool® sales growth in FY 2020.

Positive outlook for FY 2020

Commenting on the outlook for FY 2020, Dr Brookins said: “Alexium has transformed to focus on high margin cornerstone initiatives that will underpin sustainable growth, allowing us to commercialise our world leading technologies in partnership with key manufacturers in target markets globally. We are encouraged by the quarterly growth in cash receipts over the past six months, and anticipate this momentum continuing in FY 2020. We expect higher sales to result in positive EBITDA being generated by the end of the 2019 calendar year.”



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Group Investor Conference Call

With the release of its Annual Report in September, Alexium will hold a group investor conference call to present the achievements and results of FY 2019, the Company's focused growth strategy, and the positive outlook for FY 2020. Details regarding the conference call will be provided in advance of the release of Alexium's Annual Report.

About Alexium International Group Limited

Alexium International Group Limited (ASX: AJX) holds proprietary patent applications for novel technologies developed to provide flame retardancy for a wide range of materials. These environmentally friendly flame retardants have applications for several industries and can be customized. Further, Alexium develops proprietary products for advanced thermoregulation utilizing phase change materials. Alexium also holds patents for a process developed initially by the U.S. Department of Defense, which allows for the surface modification and attachment of nanoparticles or multiple chemical functional groups to surfaces or substrates to provide fire retardancy and various additional functionalities. Applications under development include but are not limited to textiles, packaging, electronics, and building materials. Alexium's chemical treatments are currently marketed as Alexicool® and Alexiflam®. For additional information about Alexium, please visit www.alexiuminternational.com.

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ALEXIUM INTERNATIONAL GROUP LIMITED
APPENDIX 4E PRELIMINARY FINAL REPORT
For the Period Ended 30 June 2019

ABN 91 064 820 408

Dear Shareholders,

I am delighted to share with you the substantial progress we have made over FY 2019 and provide a brief insight into what we plan to achieve for the year ahead.

FY 2019 was my first full year as Chief Executive Officer and during the year we welcomed Mr. Jason Lewis (Chief Financial Officer) and Mr. Allen Reihman (Chief Commercial Officer) to the leadership team. With an enhanced leadership team in place we were able to refocus the business and concentrate on our core strengths, as we capitalise on high margin opportunities.

The following are key operational achievements made during the year, as we executed on our strategy.

Development Agreement for Alexiflam® FR signed with Pine Belt Processing

During FY 2019, we made significant advances in our FR NyCo technology where we completed Pyroman® testing of Alexium-created fabrics in addition to satisfying flammability requirements specified for a flame-retardant treatment to be used for everyday military uniforms. These are significant milestones, and the latter is the focus of our efforts for military applications. This work culminated in the signing of an exclusive Development Agreement with Pine Belt Processing for US military uniforms.

We look forward to continuing to work closely with Pine Belt throughout FY 2020 as we progress development, ahead of an anticipated supply agreement for the final commercialised process and treatment.

Two Supply Agreements signed for Alexicool® Technology

We have seen increasing demand for PCM cooling technologies in the bedding industry, as premium brands realise the value in temperature management.

During March we entered into a Supply Agreement with a multi-billion-dollar North American mattress manufacturer, as the preferred supplier of PCM products. Additionally, in July we signed a supply agreement with Pegasus Home Fashions that will ensure their customers have access to products with enhanced cooling properties, as thermal regulation becomes an important requirement for consumers.

We are delighted with the progress made on Alexicool® and see the expansion of Alexicool® products to be a key driver of near-term profitability.

Signed MoU with ICL for global production, manufacturing and distribution of Alexiflam® NF

Alexiflam® NF is a proprietary flame-retardant we developed to treat cotton, linen and other cellulosic textiles. During FY 2019 we signed a MoU with ICL, a global specialty minerals and chemicals company, regarding the future marketing, distribution, and potential manufacture of Alexiflam NF.

Having now received US Environmental Protection Agency (EPA) approval under TSCA for the manufacture and sale in the US, we are well placed to drive commercialisation in the global market for flame retardant cotton.

Strategic partnerships and improving cashflows underpin positive outlook

We are encouraged by the quarterly growth in cash inflows during the second half of FY 2019 as we make progress on each of our cornerstone initiatives. We expect this momentum to continue in FY 2020 and will underpin positive EBITDA by the end of the 2019 calendar year.

Alexium is well positioned for strong growth in the future as we execute on our strategy and leverage strategic partnerships. I would like to thank you for your continued shareholder support and look forward to delivering on the exciting operational initiatives planned for FY 2020 that will underpin long-term growth in shareholder value.

In the upcoming annual report we look forward to discussing the year ahead and the vision for FY 2020.

Dr Bob Brookins
Chief Executive Officer

Name of entity:

Alexium International Group Limited

ABN or equivalent company reference

91 064 820 408

1. Reporting period

Reporting period: Year ended 30 June 2019

Previous corresponding period: Year ended 30 Jun

2. Results for announcement to the market

2.1	Revenue from ordinary activities	down	58%	to	5,059,039
2.2	Loss from ordinary activities for the period after tax attributable to members	up	75%	to	(6,939,521)
2.3	Net loss for the period attributable to members	up	75%	to	(6,939,521)

2.4 Dividends

	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

2.5 Record date for determining entitlements to the dividends

N/A

2.6 Brief explanation of any of the figures reported above to enable the figures to be understood:

The Group's net loss attributable to members of the Group for the financial year ended 30 June 2019 was \$6,939,521 (2018: 3,961,119). This represents an 75% increase in net loss over the prior period. The primary drivers behind this increase in net loss are described below.

Revenues from ordinary operating activities were down 58% from the prior year at \$5,059,039 (2018: \$11,911,816) as the company focused on commercializing speciality products with substantial profit margins and shifted away from low margin revenue streams. This decrease in revenue was partially offset by an improvement in gross profit for the period which was \$1,605,742 (2018: \$2,354,942) representing an average gross margin percentage across all lines of business of 32% (2018: 20%). This is a result of the Group's shift to an improved business model.

The Group has taken significant measures to reduce operating expenses to better position Alexium to achieve profitability. Operating costs decreased to \$6,408,915 from \$6,805,138 in the prior period without sacrificing the anticipated growth. Expenses are now normalized and will remain in check with the implementation of refined controls and processes. We continue to evaluate supplier contracts and service agreements to ensure proper stewardship and expenditure control.

As at 30 June 2019 the cash position was \$3,843,343 (2018: \$10,641,763). Cash and working capital management remains a top priority. Cash burn continues to decrease on a quarterly basis as sales increase and non-essential operating costs are brought into check.

3. Consolidated Statement of Comprehensive Income

	Consolidated	
	2019 US\$	2018 US\$
Revenue	5,059,039	11,911,816
Cost of sales	(3,453,297)	(9,556,874)
Gross Profit	1,605,742	2,354,942
Administrative expenses	(3,609,008)	(3,171,158)
Sales and marketing expenses	(1,282,435)	(1,237,986)
Research and development costs	(413,074)	(724,727)
Occupancy expenses	(557,287)	(453,126)
Other expenses	(547,111)	(1,218,141)
Loss before finance costs	(4,803,173)	(4,450,196)
Interest expense	(2,793,604)	(2,297,626)
Gain on debt extinguishment	-	396,591
Gain/ (Loss) on embedded derivative	629,642	2,369,993
interest received	27,614	20,119
Total finance costs	(2,136,348)	489,077
Loss before tax	(6,939,521)	(3,961,119)
Tax expense	-	-
Loss for the year after tax	(6,939,521)	(3,961,119)
Other comprehensive income - Exchange differences on translation of foreign operations which may subsequently be reclassified to profit or loss	(31,893)	694,044
Total comprehensive loss for the year	(6,971,414)	(3,267,075)
Loss for the year attributable to members of the group	(6,939,521)	(3,961,119)
Total comprehensive loss for the year attributable to members of the group	(6,971,414)	(3,267,075)
Basic and diluted loss per share (cents)	(2.01)	(1.22)

4. Consolidated Statement of Financial Position

	Consolidated	
	2019 US\$	2018 US\$
Current Assets		
Cash and cash equivalents	3,843,343	10,641,763
Trade and other receivables	962,023	513,800
Inventories	1,153,453	1,516,548
Other current assets	74,917	69,876
Total Current Assets	6,033,736	12,741,987
Non-Current Assets		
Other financial assets	17,982	20,788
Property, plant and equipment	1,727,001	1,955,519
Intangible assets	1,778,484	761,150
Total Non-Current Assets	3,523,467	2,737,457
Total Assets	9,557,203	15,479,444
Current Liabilities		
Trade and other payables	1,558,500	438,793
Borrowings	170,974	243,667
Total Current Liabilities	1,729,474	682,460
Non-Current Liabilities		
Borrowings	6,786,592	7,180,965
Derivative liability	658,141	630,983
Total Non-Current Liabilities	7,444,733	7,811,948
Total Liabilities	9,174,207	8,494,408
Net Assets	382,996	6,985,036
Equity		
Contributed equity	54,367,832	54,367,832
Reserves	5,078,244	6,423,821
Accumulated losses	(59,063,080)	(53,806,617)
Total Equity	382,996	6,985,036

5. Consolidated Statement of Cash Flows

	Consolidated	
	2019 US\$	2018 US\$
Cash flow from operating activities		
Receipts from customers and other income	4,844,649	12,437,167
Payments to suppliers and employees	(8,052,450)	(16,881,341)
Interest received	27,614	20,119
Interest and other costs of finance paid	(1,219,230)	(1,231,830)
Goods & services tax received from ATO	57,876	97,195
Net cash flows (used in) operating activities	(4,341,541)	(5,558,690)
Cash flows from investing activities		
Purchase of property, plant and equipment	(90,683)	(41,797)
Purchase of other non-current assets	(60,000)	-
Proceeds from disposal of property, plant and equipment	-	1,500
Payments for development costs	(987,153)	(662,653)
Net cash flows (used in) investing activities	(1,137,836)	(702,950)
Cash flows provided by financing activities		
Proceeds from borrowings	-	9,600,000
Transaction cost related to loans and borrowings	-	(453,979)
Repayment of borrowings	(1,258,696)	(5,178,869)
Proceeds from exercise of options	-	360,677
Proceeds from issue of ordinary shares	-	10,520,333
Transaction costs related to issue of shares	-	(521,978)
Net cash flows from/ (used in) financing activities	(1,258,696)	14,326,184
Net increase / (decrease) in cash and cash equivalents	(6,738,073)	8,064,544
Cash and cash equivalents at beginning of year	10,641,763	2,620,759
Effect of exchange rate changes on cash and cash equivalents	(60,347)	(43,540)
Cash and cash equivalents at end of year	3,843,343	10,641,763

6. Consolidated Statement of Changes in Equity

	Contributed equity \$	Options Premium Reserve \$	Performance Rights Reserve \$	Foreign Currency Translation Reserve \$	Consolidated Accumulated Losses \$	Total \$
Balance at 1 July 2018	54,367,832	5,634,968	652,423	136,430	(53,806,617)	6,985,036
Adjustment to Beginning Balance	-	-	-	(1,695,787)	1,695,787	-
Loss for the period	-	-	-	-	(6,939,521)	(6,939,521)
Foreign currency translation	-	-	(593)	(18,571)	(12,729)	(31,893)
Total comprehensive income / (loss)	-	-	(593)	(18,571)	(6,952,250)	(6,971,414)
Transactions with owners in their capacity as owners:						
Issued Capital	-	-	-	-	-	-
Capital Raising Costs	-	-	-	-	-	-
Performance Rights Expense	-	-	280,941	-	-	280,941
Options Exercised	-	-	-	-	-	-
Share-based payment in lieu of salary	-	-	88,433	-	-	88,433
Balance at 30 June 2019	54,367,832	5,634,968	1,021,204	(1,577,928)	(59,063,080)	382,996
	Contributed equity \$	Options Premium Reserve \$	Performance Rights Reserve \$	Foreign Currency Translation Reserve \$	Consolidated Accumulated Losses \$	Total \$
Balance at 1 July 2017	45,833,450	5,856,738	619,640	(2,287,525)	(49,853,653)	168,650
Loss for the period	-	-	-	-	(3,961,119)	(3,961,119)
Foreign currency translation	(1,494,807)	(221,770)	(21,489)	2,423,955	8,155	694,044
Total comprehensive income / (loss)	(1,494,807)	(221,770)	(21,489)	2,423,955	(3,952,964)	(3,267,075)
Transactions with owners in their capacity as owners:						
Issued Capital	10,106,575	-	-	-	-	10,106,575
Capital Raising Costs	(468,358)	-	-	-	-	(468,358)
Performance Rights Expense	-	-	54,272	-	-	54,272
Options Exercised	338,244	-	-	-	-	338,244
Share-based payment in lieu of salary	52,728	-	-	-	-	52,728
Balance at 30 June 2018	54,367,832	5,634,968	652,423	136,430	(53,806,617)	6,985,036

7. Dividends (in the case of a trust, distributions)

Date dividend is payable	Not applicable
Record date to determine entitlement	Not applicable
If it is a final dividend, has it been declared?	Not applicable

Amount per security

	Amount per security	Franked amount per security at 30%	Amount per security of foreign source dividend
Final dividend: Current year	Nil	Not applicable	Not applicable
Interim dividend: Current year	Nil	Not applicable	Not applicable

Total dividend (distribution) per security (interim plus final)

	Current period	Previous period
Ordinary securities	Not applicable	Not applicable
Preference securities	Not applicable	Not applicable

8. Dividend or distribution plans in operation

Not applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

Not applicable

9. NTA backing

	2019	2018
Net tangible asset backing (deficiency) per ordinary share (cents)	(0.40)	1.80

10. Details of entities over which control has been gained or lost during the period, including the following.

Not applicable

11. Details of associates and joint venture entities including the following.

Not applicable

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Refer to the cover letter from the CEO and section 2.6

13. Foreign entities set of accounting standards used in compiling the report (IAS)

IFRS

14. Commentary on the results for the period

14.1 Earnings per security (EPS)

	2019	2018
Basic loss per share (cents)	(2.01)	(1.22)

14.2 Returns to shareholders (Including distributions and buy backs)

	2019 US\$	2018 US\$
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

14.3 Significant features of operating performance

Refer to the cover letter from the CEO and section 2.6

14.4 Segment Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Company has applied IFRS 8 Operating Segments which requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

For management purposes, the Group is organised into one main operating segment which involves the development and licensing of its proprietary flame retardant (FR) and phase change material (PCM) chemistries and selling its specialized chemistry to customers. All of the Group's activities are interrelated and discrete financial information is reported to the Chief Executive Officer (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

14.5 Report on trends in performance

Refer to the cover letter from the CEO and section 2.6

14.6 Report any factors which have affected the results during the reporting period, or which are likely to affect results in the future, including those where the effect could not be quantified.

Refer to the cover letter from the CEO and section 2.6

Any other information required to be disclosed to enable the reader to compare the information presented with equivalent information for previous periods. This must include information needed by an investor to make an informed assessment of the entity's activities and results.

Refer to the cover letter from the CEO and section 2.6

15. Compliance statement

This report is based on accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

16. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

This report is based upon accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

This report is based upon accounts which are in the process of being audited, but the company does not anticipate any dispute or qualification.

Sign here: 
(Chief Executive Officer)

Date: 30 August 2019

Print name: Dr. Robert Brookins

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