



ALEXIUM

QUARTERLY ACTIVITIES REPORT



FOR THE PERIOD ENDED
31 DECEMBER 2025

Q2 FY 2026 Update Contents

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Introduction

In several recent market updates, Alexium has reported a step change in our focus on optimising commercial operations, strengthening sales efforts, improving our supply chain, and sharply increasing and integrating our manufacturing capabilities. We adapted all facets of the Company to grow our niche position in the bedding industry to deliver profitable results from a market where the Company had invested so many resources. It was to serve as the foundation on which the Company would *Grow and Diversify* its product, customer, and market mix. The aim is to deliver profitable results from Alexium's core competency of microencapsulating phase change materials ("mPCM") (*Grow*), then building on that with new flame-retardant technology and a subsequent formulated product suite (*Diversify*). These remain the two-pillars and the fastest route to meaningful results. This required Alexium to complete its transition from a technology company focused on developing intellectual property to an organisation dedicated to scaling sales and manufacturing. I am excited to report that the Company achieved significant milestones in this pursuit in Q2 FY26!

Alexium entered into an agreement to acquire Microtek Laboratories' microencapsulation business and technology in December 2025 and took over operations on 28 January 2026. The merged business results in a strengthened product offering and manufacturing capability to the market. It combines a vertically integrated mPCM and coatings formulation business (Alexium) with a mPCM manufacturer that has traditionally supported formulators (Microtek). It is important to note that many mPCM coatings suppliers in the bedding and furniture markets are only formulators. They do not manufacture the key performance component of those coatings, microencapsulated phase change materials. The merger also combines the patented IP from both companies resulting in best-in-class technologies from a combined 40-years of development efforts. It also opened the ability for the Company to offer the next generation of mPCM to certain customers that seek to future proof their mPCM coatings from increasing regulatory pressure on materials containing substances targeted for bans in the coming three to five years. This next generation product is the only one of its kind in the market.

The acquisition and resulting merger, paired with Alexium's improvement initiatives of the past few years results in a huge leap forward for the Company. We have also progressed our work with the US Military for flame-resistant combat uniform textiles to the stage of field trials this year. Alexium is poised for growth and expects to deliver long awaited results to its loyal shareholder base in 2026.

In conjunction with the acquisition, the Company undertook an entitlement offer to reduce its debt and raise funds for working capital needs. The entitlement issue concluded on 16 January 2026 resulting in gross proceeds of \$4.6 million (note: all dollar numbers quoted are US Dollars unless otherwise stated). These funds will help propel the Company into its next phase of growth, post-merger.

Commercial Update

The Company will continue its commercial focus concentrated on three key areas of strength:

1. Thermal regulation (mPCM) for sleep products,
2. Flame-resistant (“FR”) technologies for sleep products, and
3. Flame-resistant wash-durable coatings for military apparel and workwear applications

From a go-to-market perspective for the Company’s products, sales and manufacturing efforts are being concentrated on:

1. **AlexiCool® - Foam and Textile Coatings with Microencapsulated Phase Change Material (mPCM):** Significant breakthroughs in our microcapsule production have led to new market opportunities with PCM formulators globally, and for sales of formulations to major foam bedding brands. The integrated Microtek + Alexium mPCM production provides for cost efficiency, enhanced quality, and a diverse range of options for customer applications.
 - a) Alexium’s historical focus was on textile applications
 - b) Post-merger, the company now enjoys a diversified portfolio including growing production and sales to foam customers (larger addressable market/growth opportunity)
 - c) Positioned for significant growth
 - d) The mPCM market was ripe for consolidation and the competitive landscape has shifted in our favour
 - e) New international sales, at meaningful volumes to commence in early 2026
2. **AlexiShield - FR Technology:** Geopolitical pressures (trade disputes and tariffs) continue to drive increased demand for US-produced FR materials in the bedding and furniture industries. Our existing product lines include offerings free from substances recently banned in major US markets.
 - a) FR market presents significantly larger opportunities than for mPCM
 - b) Current FR market trends and regulatory developments are increasingly favourable for Alexium
 - c) Well-positioned to commercialise FR technologies with production to be integrated in the newly acquired Dayton, OH manufacturing facility
 - d) New business pipeline includes advanced opportunities for significant FR sales revenue
3. **AlexiFlam® -** Increased emphasis on rebuilding the US military supply chain has created urgency to drive lingering projects involving low-cost, warm weather, flame-resistant textiles for military uniforms to a near-term timeline and conclusion.
 - a) We are in the penultimate phase of testing of such fabric and have been selected for a reduced list of tenders supplying FR textiles to be cut-and-sewn into uniforms for enlisted personnel field trials at a US Military base in 2026. Upon completion of successful limited user evaluations (“LUEs”), the Military will issue Requests for Proposals to preferred qualified parties, leading to adoption and material contracts
 - b) Technology development has allowed promising engagements with fabric providers to the technical workwear market, although the investment of time and resources in this area has been slowed to allot our limited resources to our core focuses of the military uniform and bedding markets.

Operations Update

Transition to a Manufacturing-Centred Operating Model: The Mircotek Laboratories acquisition will see the Company transition from a primarily outsourced production model to a **manufacturing-centred business model** designed to improve margins, control, scalability, and long-term competitiveness. The strategy prioritizes disciplined asset utilization, phased capacity expansion, and selective use of contract manufacturing partners to balance risk, capital efficiency, and operational focus.

Phase 1: Maximize Efficiency of Existing Assets: The priority is to achieve maximum operational efficiency from the existing manufacturing assets at the Dayton facility in their current configuration. This phase focuses on:

- Process stabilization and standardization
- Yield, throughput, and uptime optimization
- Workforce training and operational discipline
- Elimination of bottlenecks and non-value-added activities

No major capital investments will be made during this phase; the objective is to fully realize the inherent capability of the assets already in place.

Phase 2: Capacity Expansion via Labor Utilisation: Once baseline efficiency is achieved, Alexium will initially increase capacity through incremental manpower additions, rather than capital expenditures. Capacity will be scaled in a controlled manner by:

- Transitioning from current operations to a 24 x 5 operating model
- Subsequently expanding to a 24 x 7 operating model, as demand warrants

This approach enables higher asset utilisation, improved fixed-cost absorption, and faster response to customer demand while deferring capital spend until customer demand levels are clearly established.

Phase 3: Capacity Expansion via Capital Expenditures: Only after labour-based utilisation rates are maximized will Alexium pursue capacity growth through capital equipment additions. CAPEX decisions will be driven by:

- Sustained demand that exceeds labour-expanded capacity
- Clear economic justification and return on investment
- Strategic alignment with core production capabilities

This sequencing ensures capital is efficiently deployed and only when operational leverage from existing assets has been fully captured.

This operations strategy establishes a disciplined, phased pathway to becoming a manufacturing-led organization by:

1. Maximizing existing asset efficiency
2. Expanding capacity through labour before capital
3. Using contract manufacturing strategically rather than opportunistically
4. Migrating production in-house as scale and economics justify

The result is a scalable, capital-efficient manufacturing platform aligned with long-term growth and margin expansion.

Funding Update

The Company maintains an asset-based line of credit ("LOC") with Alterna Capital Solutions to support working capital requirements and facilitate growth initiatives. The facility provides up to \$3.0 million in funding, with the option to increase to \$5.0 million subject to lender approval. The borrowing base of the facility is equal to 90% of eligible accounts. The LOC bears interest at a variable rate (9.75% at 31 December 2025). The LOC, as amended in August 2024, runs through February 2026 and automatically renews annually thereafter.

To mitigate the reduced availability under the LOC and to provide additional working capital, the Company has secured a series of shareholder loans during FY25 and FY26 from Colinton Capital Partners Pty Ltd (CCP) and Wentworth Williamson Management Pty Limited (WW). The additional funding committed under these arrangements during Q2 FY26 was \$1 million, specifically from CCP. Total outstanding funding from these loans was \$3.1 million at 31 December 2025 with deferred accrued interest of \$0.3 million for a total balance outstanding of \$3.4 million. These loans mature on 1 September 2026.

As a result of the entitlement offer which concluded 16 January 2026, the Company was able to raise gross proceeds of \$4.6 million. A portion of the funds, \$3.1 million, were used to reduce the Company's outstanding shareholder loans, leaving \$1.4 million on hand. These funds will be used for expenses related to the Microtek Laboratories acquisition agreement as well as to meet working capital needs while the Company transitions its manufacturing to the Microtek facility.

Quarterly Performance and Cash Flows

The financial results for this Quarter do not yet reflect the significant efforts of the Company. However, as discussed in our recent updates, the Company is extremely well positioned for growth in the near term. The Company continues to prioritise near-term revenue opportunities while advancing technology, product and customer initiatives that underpin medium-to-long-term growth. The Company maintains a disciplined focus on expense management, raw material purchasing and optimisation of its cash conversion cycle.

Key Financial Results for the Quarter:

1. Sales

Sales decreased \$0.2 million from the prior Quarter. In general, the decrease is due to continued softness in the United States mattress market as weak consumer sentiment persists amid elevated interest rates, inflationary pressures, and global tariff uncertainty. Recent declines in the US 30-year fixed mortgage interest rates offer encouraging signs that improvement may be underway.

2. Operating Activity Outflows

- a) Cash Receipts: \$1.2 million, up \$0.5 million from the prior quarter due to the timing of customer receipts
- b) Outflows primarily consisted of raw material purchases, manufacturing, staffing and corporate/administrative costs
- c) Other cash outflows are in line with typical quarterly expenses

3. Related Party Payments

Aggregate payments to related parties for the quarter were \$164 thousand, including payments to non-executive directors for directors' fees and consulting fees as well as compensation to executives.

4. Financing Activities and Liquidity

- a) Cash flows from financing activities for the quarter of \$652 thousand include routine activity on the Line of Credit (LOC) as well as proceeds from shareholder loans (see Funding commentary)
- b) The LOC balance at the end of the period was \$275 thousand against an eligible borrowing base of \$286 thousand, reflecting \$11 thousand of available funding undrawn at the end of the quarter

The Company continues to receive strong support from its lenders and major shareholders and is well positioned to benefit from anticipated near-term sales growth opportunities. The Board and management maintain regular oversight of funding requirements and available financing options.

Name of Entity	
ALEXIUM INTERNATIONAL GROUP LIMITED	
ABN	Quarter ended
91 064 820 408	31-December-2025

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,196	1,875
1.2 Payments for		
(a) research and development	(130)	(283)
(b) product manufacturing and operating costs	(621)	(1,088)
(c) advertising and marketing	(5)	(8)
(d) leased assets	(11)	(21)
(e) staff costs	(646)	(1,311)
(f) administration and corporate costs	(253)	(618)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	(18)	(38)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	12	22
1.9 Net cash from / (used in) operating activities	(475)	(1,466)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(2)
(d) investments		
(e) intellectual property	(1)	(18)
(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 (6 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	(1)	(20)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	1,707	3,048
3.6	Repayment of borrowings	(1,055)	(1,831)
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	652	1,217
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	219	662
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(475)	(1,466)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(20)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	652	1,217
4.5	Effect of movement in exchange rates on cash held	3	5
4.6	Cash and cash equivalents at end of quarter	398	398

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	371	192
5.2	Call deposits	27	26
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)	398	218

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	164
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
	6.1 Total payment of \$164K for non-Executive Directors fees, payroll for Mr Blackburn, CEO & Dr Brookins, CTO through 27 October, and consulting fees for Mr Lane	

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	3,377	3,377
7.2	Credit standby arrangements	286	275
7.3	Other (please specify)	-	-
7.4	Total Financing facilities	3,663	3,652
7.5	Unused financing facilities available at quarter end		11
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.		
	7.1 - Shareholder unsecured term loans from Colinton Capital and Wentworth Williamson with an interest rate of 15% maturing on 1 September 2026. See Funding Update section above for more details.		
	7.2 - Alterna CS - Asset based loan secured with working capital accounts with \$275K drawn on a total availability of \$286K as of the reporting date. Interest is variable based on the Wall Street Journal published Prime Rate + 3% spread. The total rate at 31 December was 9.75%. Loan ends on 28 Feb 2026 and is auto-renewable for 1-year periods.		

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)	(475)
8.2	Cash and cash equivalents at quarter end (item 4.6)	398
8.3	Unused finance facilities available at quarter end (item 7.5)	11
8.4	Total available funding (item 8.2 + item 8.3)	409
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.9
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions.	
8.6.1	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?	
	Answer: Yes. The Company has strong support from its substantial shareholders. The Company also expects increased sales volume from its recent acquisition, leading to increased cash flow.	
8.6.2	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?	
	Answer: Yes. In conjunction with the Microtek Laboratories acquisition, the Company announced an entitlement offer to gain additional capital for its next phase of growth. Additionally, increased sales are expected from current opportunities in its pipeline as well as additional customers from its recent acquisition.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. The company has strong support from its substantial shareholders and has multiple new business opportunities it is pursuing that are expected to generate increased cash flow in the near term.	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

31 December 2025

Date:

The Board of Directors

Authorised by:

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.