



ALEXIUM

QUARTERLY ACTIVITIES REPORT



FOR THE PERIOD ENDED
31 MARCH 2026

Q2 FY 2026 Update Contents

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Introduction

Q3 FY26 was a period of significant transformation for Alexium. In late January, the company closed on the acquisition of Microtek Laboratories, then started integrating the new personnel, manufacturing processes, technology, and customers into the Alexium team. It has been an exciting and awarding time at Alexium. The team members from both companies have come together quickly, and locked in on the task at hand:

Delivering 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.

The Company accelerated its transition from a technology company focused on developing intellectual property to an organisation dedicated to scaling sales and manufacturing. Additionally, the Company had several successful commercial outings at the Winter Home Market, the ISPA EXPO, and in direct development meetings with customers. Several new mPCM coatings placements commenced in Q3, and many new opportunities materialized in the quarter. The new placements were from the prior focus on core competencies in formulated microencapsulated phase change material coatings. The new opportunities are a diversified mix of mPCM coatings, flame resistant coatings, dehumidification textile (DelCool), and heat transfer textile (Eclipsys).

In summary, Q3 was a major step in Alexium's journey to sustained success. It is the foundation upon which the company will deliver profitable growth, and the long-awaited value deserved by all stakeholders. The Alexium team is focused and determined to deliver world-class products and service to our customers, and significant value to our shareholders.

Commercial Update

In Q3, the Company continued its commercial focus in three key areas:

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

Significant progress was made in all three of these areas. Additionally, there were new customer requests for mPCM for non-bedding markets (furniture, building materials, and apparel), dehumidification for furniture, and flame-resistant coatings (AlexiShield) for transportation.

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

1. **Nextek mPCM, AlexiCool®, and BioCool – mPCM and Formulated mPCM Foam and Textile Coatings:**

In prior quarterly reports, the Company communicated significant breakthroughs in its microcapsule technology and production leading to new market opportunities with PCM formulators globally, and for sales of formulations to major foam bedding brands. The legacy Microtek and Alexium mPCM product and production were successfully merged in Q3. This delivered the path for cost efficiency, enhanced

quality, and a diverse range of options for customer applications.

- a) Alexium is now building on its historical focus on textile applications with diversified production and sales to foam customers, capitalising on a larger addressable market.
 - b) New international mPCM business commenced in Q3 and will continue ramping throughout CY26.
 - c) The acquisition came with customers in adjacent, non-bedding, markets that have growth potential.
 - d) New requests for mPCM in building materials are now being qualified.
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) The FR market is a much larger space for the company, presenting greater sales growth potential than 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 opportunities in transportation offer market diversification over the historical concentration in bedding.
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) For Q3, we remained in the penultimate phase of testing for AlexiFlam treated fabric that were 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 remained paused 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 Microtek Laboratories acquisition was completed in Q3, thus accelerating the Company's transition from a primarily outsourced production model to a **manufacturing-centred business model**. This evolution is already improving margins, control, scalability, and long-term competitiveness. Alexium will continue executing this strategy to prioritize 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 – **Q3 Update:** The Nextek and AlexiPCM mPCM processes were successfully merged in Q3. This created an optimized platform for drying mPCM, high-quality and superior performance mPCM for formulated coatings, improved quality, and lower costs.
- Yield, throughput, and uptime optimization – **Q3 Update:** Major improvements on yield and throughput were proven at pilot-scale in Q3. These will be implemented and ramped in Q4. Uptime is being addressed via revised preventative maintenance programs and minor equipment enhancements. We expect these gains to continue throughout CY26.
- Workforce training and operational discipline – **Q3 Update:** The training program is being drafted now. Training paired with a new positive + productive culture will net results as the merged operation moves forward.
- Elimination of bottlenecks and non-value-added activities – **Q3 Update:** Underway! We have already identified, and in many cases, corrected bottlenecks and non-value-added activities. The merger of the mPCM processes revealed several opportunities for gains in efficiency and quality.

In Q3, we estimated that no major capital investments would be made during this phase; the theory behind that objective was to fully realize the inherent capability of the assets already in place. With the clarity of a few months of hindsight, it is likely we will execute a few minor capital projects in CY26 to adequately match the product equipment capacity and capability with increased manpower to match the growing customer demand.

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. *This has been slightly amended due to evident bottlenecks that require equipment capacity to be matched with manpower capacity. The plan remains to scale capacity in a controlled manner by:

- Transitioning from current operations to a 24 x 5 operating model – **Q3 Update:** Recruiting in underway for additional operators and a QC chemist to support a fractional second shift to maximize output from batches started and concluded during the first shift.
- Subsequently expanding to a 24 x 7 operating model, as demand warrants – **Q3 Update:** On hold pending a successful ramp to a second shift in CY26.

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 March 2026). The LOC, as amended in August 2024, renewed in February 2026 and automatically renews annually thereafter. As of March 31, 2026, the total amount borrowed against the facility is \$513 thousand vs availability of \$610 thousand.

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 sales 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 increased from \$794 thousand last quarter to \$1.03 million in the current quarter. This increase is largely attributable to the acquisition of Microtek Laboratories in late January 2026. March sales were \$553 thousand.

2. Operating Activity Outflows

- a) Cash Receipts: \$692 thousand, down \$503 thousand from the prior quarter. The contradiction between increased sales and decreased receipts is due to timing. December sales were quite low, so there was not much cash received this quarter that related to prior quarter sales. Conversely, March sales were nearly \$600 thousand, which will not come due for payment until the following quarter.
- 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 \$138 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 \$1.8 million include routine activity on the Line of Credit (LOC) as well as proceeds from the entitlement offer. (see Funding commentary)
- b) The LOC balance at the end of the period was \$513 thousand against an eligible borrowing base of \$610 thousand, reflecting \$97 thousand of available funding undrawn at the end of the quarter.

Quarterly report for entities subject to Listing Rule 4.7B

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-March-2026

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	692	2,567
1.2 Payments for		
(a) research and development	(119)	(402)
(b) product manufacturing and operating costs	(828)	(1,916)
(c) advertising and marketing	(29)	(36)
(d) leased assets	(28)	(49)
(e) staff costs	(616)	(1,927)
(f) administration and corporate costs	(523)	(1,141)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	(18)	(55)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST received)	8	30
1.9 Net cash from / (used in) operating activities	(1,458)	(2,922)

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)	(19)
(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 (9 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)	(21)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,455	1,455
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	(55)	(55)
3.5 Proceeds from borrowings	1,133	4,181
3.6 Repayment of borrowings	(685)	(2,517)
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	1,848	3,064

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	398	662
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,458)	(2,922)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(21)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,848	3,064
4.5 Effect of movement in exchange rates on cash held	5	9
4.6 Cash and cash equivalents at end of quarter	792	792

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	765	371
5.2	Call deposits	27	27
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)	792	398

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	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
	6.1 Payment related to non-Executive Directors fees, payroll for Mr. Blackburn, CEO, 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	497	497
7.2	Credit standby arrangements	633	513
7.3	Other (please specify)	-	-
7.4	Total Financing facilities	1,130	1,010
7.5	Unused financing facilities available at quarter end		120
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 - Unsecured shareholder term loans from Colinton Capital 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 \$513K drawn on a total availability of \$633K as of the reporting date. Interest is variable based on the Wall Street Journal published Prime Rate + 3% spread. The total rate at 31 March was 9.75%. The term of the loan ended on 28 Feb 2026 and has auto-renewed for a 1-year period.		

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)	(1,458)
8.2	Cash and cash equivalents at quarter end (item 4.6)	792
8.3	Unused finance facilities available at quarter end (item 7.5)	120
8.4	Total available funding (item 8.2 + item 8.3)	912
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.6
	<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. The Company underwent an entitlement offer to gain additional capital for its next phase of growth. Increased sales are also 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 MARCH 2026

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 – e.g. 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.