QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED
30 JUNE 2026

Q4 FY 2026 Update Contents

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Introduction

Q4 FY26 was a frustrating period for Alexium. The Company entered the Quarter with strong momentum after the successful closing of the acquisition of the Microtek Laboratories business and early wins from the combination of two of the market leaders in microencapsulation of phase change materials. This strong business momentum was maintained on the technology and sales team fronts with technology advances and new customer program wins. However, the manufacturing side of the business failed to consolidate on its early progress with a production issue at the Dayton Facility disrupting production volumes, which in turn delayed the anticipated sales ramp up. Management has now addressed the manufacturing issue, the business is back to producing at pre-issue volume levels and importantly, customers are renewing their purchase commitments.

As reported in the March 4C, several new mPCM coatings placements commenced in Q3, and the volumes associated with placements have continued to grow over the Quarter. These are the early stages of these programs and we expect that there will be meaningful volume increases associated with them across FY27. The technology and sales team continued to drive new opportunities across Q4 with a diversified mix of mPCM coatings, flame resistant coatings, dehumidification textile (DelCool), and heat transfer textile (Eclipsys) advanced to trial with prospective customers.

Management remains committed to its stated strategy 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.

To assist the management team to execute on its strategy, the Company appointed Randy Lane as its Chief Operating Officer in early July. Randy has been an active non-executive director for two years; having joined the Board five years after having retired from his former role as Chief Executive Officer of Microtek Laboratories. The Board is excited to have two executives of the quality of Billy Blackburn and Randy Lane leading the organisation and feel that this combination, along with Finance Vice-President Heather McClain and Technology Lead Nick Leitner, are the leadership team which will deliver for both customers and shareholders in the coming years.

In summary, Q4 was a frustrating period in Alexium's journey to sustained success. The Company continued to make progress in many important areas but let itself and, most importantly, its customers down in the execution of their hard-won and valued business with manufacturing production issues. The Alexium team has learnt from this difficult period and is more focused and determined than ever to deliver world-class products and service to our customers, and significant value to our shareholders.

Commercial Update

In Q4, 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 and marketed to customers as a single product line in Q4. This product optimisation 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 continued to grow in Q4 and will ramp up throughout FY27.
   c) Engagement with the acquired Microtek customers in adjacent, non-bedding markets has highlighted a range of new potential application of the company's core encapsulation technology.
   d) New requests for mPCM in large new industrial segments have increased in Q4 with lab trials underway on novel applications at customer request.

2. **AlexiShield - FR Technology:**
   Consistent with Q3**,** geopolitical pressures (trade disputes and tariffs) continue to drive increased demand for US-produced FR materials in the bedding and furniture industries. At the same time, regulatory actions against certain substances historically used in FR materials have further increased customer interest in our existing product lines which are free from substances recently banned in major US markets.
   a) The FR market is a much larger space for the company, ultimately 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 with production trials commenced in July.
   d) New opportunities in furniture and 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) In Q4, 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 continued and we now expect test results in Q2 FY27. 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 should lead to improved margins, control, scalability, and long-term competitiveness; however, in Q4 FY26, the potential risks of this model for a rapidly growing nascent manufacturer were highlighted when manufacturing issues impacted the company's ability to meet customer orders on a timely basis. The manufacturing issues experienced in the quarter have been addressed and customer orders are now successfully being completed in full and on time.

Despite these setbacks, Alexium will continue to execute its manufacturing 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 **– Q4 Update:** The Nextek and AlexiPCM mPCM processes were successfully merged in Q3. This product rationalisation 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 **– Q4 Update:** Major improvements on yield and throughput were proven at pilot-scale in Q3. The planned implementation in Q4 was set back by the manufacturing issues. Production uptime and quality became the major issue in Q4 and were ultimately addressed with an entire production process reset to address historical lapses in preventative maintenance programs. The production performance since these initiatives were undertaken has reaffirmed the company's initial views of the financial opportunity associated with the manufacturing business model strategy.
- Workforce training and operational discipline **– Q4 Update:** A number of the issues experienced in Q4 were founded in poor processes which were inherited at the time of the acquisition and were yet to be addressed by the new plant level management. Under the operational leadership of Randy Lane, the Company is confident that these shortcomings will be successfully addressed and a strong operating culture built.
- Elimination of bottlenecks and non-value-added activities **– Q4 Update:** The initial gains associated with the merger of the mPCM products and their manufacturing processes revealed several opportunities for gains in efficiency and quality. The realisation of these opportunities has been delayed by the production issues but will be realised across H1 FY27.

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 benefit of another three months of ownership, it is likely we will execute a few minor capital projects in H1 FY27 to match the production line equipment capacity to optimally match the growing customer demand.

Phase 2: Capacity Expansion via Labor Utilisation: The initial strategy to increase capacity through incremental manpower additions, rather than capital expenditures has been amended due to evident bottlenecks that will see greater efficiencies realised if production line equipment capacity is optimised to production scale and labour availability. The plan is to scale capacity in a controlled manner by:

- Transitioning from current operations to a 24 x 5 operating model **– Q4 Update:** Recruiting will commence in H1 FY27 for additional operators and a Quality Control chemist to support a fractional second shift to maximize output from batches started and concluded during the first shift.
- Subsequently expand to a 24 x 7 operating model as demand grows **– Q4 Update:** depends upon the successful ramp to a second shift in H1 FY27 and continued customer demand growth.

This approach enables higher asset utilisation, improved fixed-cost absorption, and faster response to customer demand while deferring significant 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 significant 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 primarily through addition 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 30 June 2026). The LOC, as amended in August 2024, renewed in February 2026 and automatically renews annually thereafter. At 30 June 2026 the Company's revolving credit facility was fully utilised and exceeded its nominal limit by approximately US$150,000. Accordingly, there was no undrawn capacity available under the facility at quarter end. The excess utilisation arose from timing differences in cash receipts and payments and is being managed in consultation with the lender. See additional commentary at section 3 of the cash flow.

To mitigate the reduced availability under the LOC and to provide additional working capital, the Company secured a series of shareholder loans during FY25 and FY26 from Colinton Capital Partners Pty Ltd (CCP) and Wentworth Williamson Management Pty Limited (WW). As a result of the entitlement offer held in Q3, $3.1 million of the funds raised were used to reduce the outstanding shareholder loan balance. The additional funds are being used to meet working capital needs.

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 continues to be 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 were comparable to the previous quarter, $1.3 million in Q3 to $1.2 million in the current quarter.
2. **Operating Activity Outflows**
   a) Cash Receipts: $1.4 million, up $750 thousand from the prior quarter. The increase in cash receipts in the current quarter is attributable to higher sales volume at the end of the previous quarter as those invoices became due in the current 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 $114 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 $130 thousand include routine activity on the Line of Credit (LOC).
   b) The LOC balance at the end of the period was $360 thousand against an eligible borrowing base of $206 thousand, reflecting a negative $154 thousand of available funding 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	30-June-2026

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,442	4,009
1.2	Payments for		
	(a) research and development	(111)	(513)
	(b) product manufacturing and operating costs	(918)	(2,836)
	(c) advertising and marketing	(30)	(66)
	(d) leased assets	(29)	(78)
	(e) staff costs	(749)	(2,675)
	(f) administration and corporate costs	(336)	(1,476)
1.3	Dividends received (see note 3)		
1.4	Interest received	2	9
1.5	Interest and other costs of finance paid	(19)	(74)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST received)	21	51
1.9	**Net cash from / (used in) operating activities**	**(727)**	**(3,649)**

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		(19)
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter $US'000	Year to date (12 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**		**(21)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		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)
3.5	Proceeds from borrowings	1,286	5,467
3.6	Repayment of borrowings	(1,156)	(3,672)
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**	**130**	**3,195**

The Company's non-renounceable entitlement offer closed on 16 January 2026, raising gross proceeds of $4.6 million. Of this, $3.1 million was applied by way of offsetting against outstanding shareholder loans owed to Colinton Capital Partners Pty Ltd and Wentworth Williamson Management Pty Limited, with no cash received or paid. Consistent with AASB 107, this non-cash amount was excluded from Item 3.1 (Proceeds from issues of equity securities) and Item 3.6 (Repayment of borrowings). The balance of $1.5 million was received in cash and reported in Item 3.1.

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	792	662
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(727)	(3,649)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	130	3,195
4.5	Effect of movement in exchange rates on cash held	22	30

4.6	**Cash and cash equivalents at end of quarter**	**217**	**217**

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	217	765
5.2	Call deposits		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)**	**217**	**792**

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	114
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	518	518
7.2	Credit standby arrangements	206	360
7.3	Other (please specify)	-	-
7.4	**Total Financing facilities**	**724**	**878**
7.5	**Unused financing facilities available at quarter end**		(154)
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 $360K drawn on a total availability of $206K as of the reporting date. Interest is variable based on the Wall Street Journal published Prime Rate + 3% spread. The total rate at 30 June was 9.75%. The term of the loan ended on 28 Feb 2026 and has auto-renewed for a 1-year period.

7.5 - The negative unused availability of $154K at quarter end reflects the amount drawn on the Alterna CS facility $360K exceeding the eligible borrowing base $206K. This arose because credit memos processed late in the quarter reduced the value of eligible accounts receivable used to calculate the borrowing base, without a corresponding immediate reduction in the amount drawn. The borrowing base is expected to self-correct in the following quarter as new eligible receivables are generated and included in the calculation.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(727)
8.2	Cash and cash equivalents at quarter end (item 4.6)	217
8.3	Unused finance facilities available at quarter end (item 7.5)	(154)
8.4	Total available funding (item 8.2 + item 8.3)	63
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.1
	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.	
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. 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.	
	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.	

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.

Date: 30 JUNE 2026 ....

Authorised by: The Board of Directors ....

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.