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- **American Security Today** "Alexium FR Testing for Marines Corps Uniforms"
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- **CEO.com** "4 C's to Consider When Faced With Critical Decisions"

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A MESSAGE FROM THE CEO

Alexium International made very good progress in 2016. It was a year filled with opportunities, wins, challenges and losses. Throughout, we focused on consistency and discipline. As the year closes and we begin anew, we are better positioned for growth into 2017. In this letter, I will review and assess our performance to date and share our go-forward plans, as well as issues that we are focusing on to make our company even better.

As many of you may know, 2016 began with a significant personal challenge for me. My wife, Georgia, unexpectedly passed. We had recently moved to the United States with our two very young children, having decided to make this country our home. The generosity and support given to me by our shareholders and partners was immense. Further, I felt most fortunate that the Alexium team rose to the challenge of keeping our company moving forward. These demonstrations of strength and commitment to help and provide support were truly remarkable. For this, I want to personally say I am most grateful to you all. Thank you.

Success is most directly reflected by the talent, dedication and diligence of a team. I can assure you that as a shareholder, you have every reason to believe the company is in the hands of committed people. We have both qualitative and quantitative checks and balances in place, and as always, the goal of the Alexium team is to streamline the efficiencies and results of our corporate operation.

Judging performance is often subjective. Our goal remains to grow per-share intrinsic value over the next several years as we test our current and evolving products in related markets while carefully assessing the results and responses to determine our best areas for growth. We have been doing this with a long-term orientation and dedication to better understanding our best markets, the immediate and longer-term



Nicholas Clark
CEO & Executive Director

orientation and dedication to better understanding our best markets, the immediate and longer-term opportunities within each, and nurturing the relationships we are building with our growing list of partners and customers. With this approach, we feel we will ultimately reward our loyal shareholders.

In 2016, we set our self an aggressive target. It was a year during which we became further educated and informed about the lead time it can take to progress from an initial meeting with a customer, to receiving a commitment to test, to demonstrating the value of our products, to repeating the tests to confirm validity—and from there, moving up the ranks to those who control the purchase orders in the government and in private-sector companies, who often request another sample test on a larger scale—ultimately arriving at the larger purchase orders we all want to see. The positive results in taking the time to understand this, is we did receive significant purchase orders and began an intensive testing phase at companies worldwide in a variety of industries. Today, our products are being tested in interior furnishings, children's sleep clothing, men's and women's apparel (including sporting apparel), mattresses, tenting, transportation, carpeting and general apparel, as well as by governments for a variety of military products.

A MESSAGE FROM THE CEO *(Continued)*



Into 2017, we will continue to invest in our business and our core products. We will continue to grow our sales, and continue to develop our company to ensure we hold a strong position as a formidable contender in the flame retardant (Alexiflam™) and cooler fabric (Alexicool™) arenas. We intend to improve our competitiveness based on continual internal testing and careful consideration of market feedback. We are committed to invest more money into our customer value proposition—meaning we will seek to deliver the highest-quality products and service for a better customer response, which will allow us to progress our pricing to enhancing commercialization.

We have a strong strategic position, brands that are growing in value, fine character, fabulous employees and are poised for a great future. As you read further, we will elaborate on our operational developments, media progress and more. On a final note and reinforcing previous comments, I have never made it a secret how proud I am of my staff, and the Vice Presidents that commit so much time, professionally and personally for the best interests of Aleixum. Every CEO in history that wants to be successful, needs a great 2IC, and in saying that, it has been rewarding to see Dirk Van Hying's professional and personal growth over the two years as President.

It is a privilege to have such a loyal and dedicated 2IC, that I also call a friend leading Aleixum operationally. No CEO should ever take "having a Dirk" for granted, I certainly do not. Staff, such as Dirk are Aleixum's future and I look forward to developing them all as we continue to mature into the giant we will be.

We thank you for your support to date and our mission is to ensure we can continue to earn it going forward.



OPERATIONAL OVERVIEW OF 2016

In his message above, Nick referred to 2016 as being “a year filled with opportunities, wins, challenges and losses.” If you look back to Alexium’s four key goals for 2016 as outlined in our January newsletter, they were:

- 1) significant top-line revenue growth
- 2) cash positive operating position
- 3) expanding Alexium’s global footprint
- 4) expansion outside of textiles.

As Nick said, along those four goals, there were wins, challenges and losses. Due to unwavering focus and dedication by Alexium’s Vice Presidents and their teams, our collective 2016 was mostly wins, and only a few losses. On behalf of me and my Vice Presidents, below is a look back at our 2016, how far Alexium has come, and a look into an exciting 2017.

Significant Top Line Revenue Growth

Despite fairly routine delays on several key active accounts, Alexium realized overwhelming success in this metric. Over the first three calendar quarters of 2016, Alexium realized \$5.74M in cash receipts, as compared to \$0.38M over the same period last year. While Alexium has yet to close its books on calendar year 2016, we are on pace to increase our CY2015 cash receipt total of \$0.94M of over \$10M, a year-over-year increase of over 12x, a clear success by any growth metric.

Expanding Alexium’s Global Footprint

Alexium unequivocally succeeded in expanding globally in 2016. At the start of 2016, we had manufacturing and supply chain established in the US only and gained revenue in on the US, Europe and Pakistan. At the end of 2016, Alexium will have manufacturing, logistical and supply-chain infrastructure established on three continent (North America, Europe, Australia) with that network expanding to South America and Asia early in 2017.

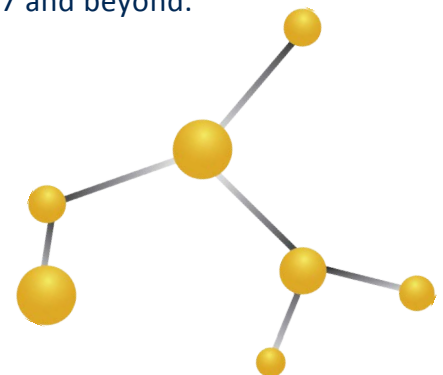


Dr. Dirk Van Hyning
President

In addition, Alexium has launched products and achieved sales on five continents (Europe, Asia, Australia, South America and North America), with our 2017 revenue outside of North America is forecasted to exceed our domestic revenue, a huge step forward for the globalization of the Alexium brand.

Expansion Outside of Textiles

Alexium’s progress in moving outside textiles was modest, but significant. Whereas in 2015, Alexium has only one purchase order outside of textiles, we had 26 purchase orders in 2016 across 12 customers. While our revenue streams in textiles still greatly exceed our non-textile-related revenue streams, our research, development and market analysis efforts during 2016 will begin to show much top- and bottom-line growth out side of textiles during 2017 and beyond.



In addition to our progress in our four key objectives for 2016, here are some additional key achievements by organizational silo:

Research and Development (led respectively by Dr. Bob Brookins and Jonas Larue)

- Successfully launched the revolutionary Alexiflam NF, the first formaldehyde-free wash durable FR treatment for cotton in decades.
- Developed and launched Alexicool, Alexium's first chemistry in the phase-change-material space. Quickly grew market share in key markets within 6 months of launch. Conducted successful scale-up efforts with over 20 customers on four continents (North America, Europe, Asia and Australia)

Sales

- Increased top line sales by 12x from 2015 to 2016
- Increased total sales pipeline by 250% over 2015
- Increased per-commercialization opportunity pipeline by 400% over 2015
- Successfully launched worldwide commission sales network of over 40 associates on five continents
- Achieved getting Alexium listed on the Standard & Poor's ASX 300

Finance and Administrative

- Implemented inventory and supply chain management system allowing Alexium to plan for raw materials and eliminate obsolescence and shipping expense
- Developed and implemented system to improve efficient and collectability of our accounts receivable debtors, payment term review and coordinate follow-up strategy to maximize cash-flow for Alexium International
- Moved into new custom-designed facility housing 100% of employees to facilitate rapid and efficient growth

Again, on behalf of myself and the Vice Presidents, I thank the shareholders for your continued support and 2017 will unquestionably continue the growth trajectory we have seen in 2016.



Aaron Kretch
Chief Financial Officer



Dr. Bob Brookins
VP of Research & Development



Michael Schwartz
VP of Sales



Jonas Larue
VP of Product Development



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