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News *(Click to View)*

- Alexium Admitted to Nasdaq International Designation
- Alexium Signs USD\$10m agreement with Pegasus Home Fashions
- Alexium CEO, Nick Clark, wins Gold Medal for Chemical Industry Executive of the year
- "What Makes Alexium so Unique?" (Video)
- DGI Wire "Environmentally Conscious Flame Retardants: Whats New?"

Highlights

- Alexicool now being applied to nine different mattress brands at three different finishers
- Alexium now shipping over 20,000lbs of chemistry per week to bedding customers
- Alexicool margins now exceeding our overall targets due to supply chain, manufacturing and delivery changes
- Alexium continues to expand its PCM Alexicool product line via continued R&D
- Moelis Reiterates BUY rating

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A NOTE FROM THE DEPUTY CEO

In this month's Newsletter, I want to focus on something you've all heard about, but we haven't yet talked about in detail, which is our new phase change material (PCM) chemistry, Alexicool. While most of Alexium's intellectual property and efforts still lie in the critical field of flame retardants, Alexicool is an example of how Alexium's business model allows us to pivot in critical ways that other, much larger companies are unable to do. In particular, I want to give you, the shareholders, a sense of why this new product is quickly changing Alexium's bottom line as the most recent sales activity since the start of 2017 has reflected gross margins exceeding 30% with significant further increases expected as we move through 2017.

Looking back a bit, Alexium first developed its Alexicool product in May of last year, and in October, Alexium announced its first sales of a multifunctional flame retardant/cooling/antimicrobial chemical package to service "one of the largest mattress brands in the world."

Although we have been relatively quiet about the progress of our Alexicool product in bedding, behind the scenes it has been anything but quiet.

After securing that initial business in October and an overwhelmingly successful debut of the first Alexicool-treated mattress brand at the January Las Vegas Bedding Show, word has quickly spread of Alexicool's value proposition and we have quickly emerged as a major player in cooling technology in the bedding space.



Dirk Van Hyning
Deputy CEO

Alexium's Alexicool product line is now being applied to nine different mattress brands through a network of three finishers and five fabric producers. Just to service our bedding customers alone, we are now shipping over 20,000lbs of Alexicool per week, with that number increasing every month. As evidence of our phenomenal success in this area, last week, on three separate days we invoiced more chemistry than we did in the entire 2014 fiscal year. Major bedding retailers asking mattress brands to specifically use Alexium's cooling chemistry – a huge testament to the value, performance and customer service Alexium offers.

See below for more details on different aspects of Alexicool as well as highlights of the larger business, please see below.



ALEXIUM

SPECIALTY CHEMICALS AND SOLUTIONS

RESEARCH & PRODUCT DEVELOPMENT

Over the past two years, Alexium's product platforms have broadened significantly as we positioned our products for a wider range of markets. A significant segment of this growth has been with our Alexicool chemistry. This technology is based on a phase-change material (PCM) that provides effective thermal management for a wide range of applications. I am excited to share some recent news on advances in this area of our product portfolio.

We now have two new key products in our Alexicool series. The first product provides the most versatile PCM product in this series. This product has several key features:

- High PCM loading at low cost
- Easily applied via a range of application methods(spray, pad, coating, etc.)
- Exceptional hand over a wide add-on range
- Aqueous-based formulation

The second product is our new PCM chemistry that provides excellent launderability (>50 washes) and softness. These features allow us to penetrate a different market segment, particularly for apparel.

SALES UPDATE

Earlier this year Alexium attended the winter Las Vegas Furniture Market. This market is held twice a year and is the most important showplace for mattress manufacturers in the country. Many mattress producers have permanent showrooms in one of the three buildings at World Market Center. According to most trade publications, the major focus of this market this year was cooling technology on mattresses. This obviously presented Alexium with a great opportunity to meet with potential customers for its Alexicool product, as well as check in on current customers and listen to the feedback being received on our technology. Our Alexicool product was incorporated on several beds including a major relaunch on one of the biggest mattress manufacturers's top selling models. Alexium walked away from this show with several new opportunities to follow up on and is well poised to capture even more customers in this industry.

The traction seen on Alexicool is also finding its way on to other layers of the mattress with bedding manufacturers looking to add as much cooling technology to the mattress as possible by using it on foams, high loft nonwovens, and fire retardant mattress socks. Alexium is also actively pursuing other Home Furnishing opportunities like pillows and top of bed applications. Alexicool's easy application allows us to work with many suppliers of these components to increase our penetration into the cooling market. Alexium plans to build on this momentum in the coming months by attending the New York Home Furnishings Market later in March to continue our reach into this important area.

The sales department has seen an increased growth in its global PCM footprint while working with key sales agents/distributors in Europe, South East Asia, Brazil and in Australia. We are running large scale validation trials in Vietnam, Brazil, Pakistan and Australia in the first quarter 2017. Both FR and PCM products are competing on cost and performance while maintaining the customer centric focus that has been neglected by larger chemical companies. Alexium now has a total of thirty-eight active leads that are being handled by our outside sales network worldwide. In the second quarter, our technical team will join our Australian distributor for joint sales calls as well as meetings with key accounts that are interested in our products.

Over the past six months the finance team has been working diligently to improve organizational processes and workflow procedures to increase efficiencies within the department. Addition of staff and vendor partnerships as well as implementation of an ERP system are several of the changes that have allowed the finance department to meet growing demand while simultaneously improving operations.

In December, a senior information technology professional was added to the team bringing all technology management in-house. Our new team member provides a wealth of knowledge and experience to Alexium and instant operational and financial efficiencies.

The purchase and implementation of an inventory management system has increased visibility, accuracy and timeliness of our day to day operations. This integrated manufacturing and warehousing tool provides insight to material and process costs, improved cost accounting, and real time inventory location tracking. This tool has added instant value for nominal cost.

Coupled with efforts by the sales, product development and R&D teams, these strategic efforts resulted in gross profit improvements from the first half to the second half of the calendar year.



www.AlexiumInternational.com

ABN: 91 064 820 408

ASX: AJX

Corporate Headquarters

Alexium International Group Ltd.
Level 11, 125 St. George Terrace
Perth, WA 6000 Australia

Phone: +61 (08) 9384 3160

Fax: +61 (08) 6314 1623

Operating Headquarters

Alexium Inc.
350 W. Phillips Road
Greer, SC 29650

Phone: +1 (864) 254-9923

Fax: +1 (864) 752 6465