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- **NOTE FROM THE DEPUTY CEO**
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News

- Alexium Deputy CEO, Dirk Van Hying, presents at the Gabelli 8th Annual Specialty Chemicals Conference in New York
- Alexium Sales Representative, Steve Gavlee, presents at the International Sleep Products Association (ISPA) in St. Petersburg Florida
- Jonas Larue & Dick Estes, Alexium Product Managers, attend Alexicool product runs in China for Bedding industry clients

Highlights

- Alexicool now being applied to nine different mattress brands increasing shipping to over 20,000lbs of chemistry per week to bedding customers
- Alexicool margins now exceeding our overall targets
- Alexium pursuing mid-year Nasdaq listing
- SG&A expense has decreased as a percentage of revenue from 60% to 35%

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A NOTE FROM THE DEPUTY CEO

Alexium is now one month into the second quarter with the end of June and cash neutrality squarely in our sights. As we remain firmly on track for achieving sustained run-rate cash neutrality by the end of the quarter, I wanted to lay some detail of the parts in motion and how they fit together to get Alexium over the line.

Continuing to Drive Increasing Revenue

This first and most obvious component of cash neutrality is driving robust revenues with strong margins. As we have discussed, a current highlight of Alexium's business is in the bedding sector, into which Alexium sells both Alexicool and Alexiflam products. In the month of April, Alexium sold and shipped over six times the amount of chemistry we shipped in the month of January with profit margins exceeding our overall target of 40%. That expansion in the bedding area has driven an increase in the average gross profit margins **across all markets** by over 15 percentage points since the beginning of 2017 and still trending strongly upwards. Driving this combination of increasing revenue and margin over the next two months is a key component to achieving cash neutrality.

Controlling Costs and Managing Supply Chain

In addition to continually increasing recurring revenue on a monthly basis, Alexium is also vigorously attempting to keep costs flat as revenue continues to increase. Selling, general and administrative expenses (SGA) have remained flat on a month to month basis since the start of the fiscal year. SGA expenses as a percent of revenue however have improved from almost 60% to 35% over the past half year. Significant operating expense categories such as employee payroll and research and development have also seen declines as a percent of revenue from 40% to approximately 22%. Finally, Selling, general and administrative expenses trended down from the previous quarter by 22% for a total SGA expense of \$A336K. Alexium has a strategy for controlling each of these categories to really make a positive impact on monthly expenditures:



Dirk Van Hying
Deputy CEO

Employee expense – Salaries for the individuals who help drive this business forward are naturally a large part of the monthly burn. Over the past several months Alexium has slowed down its staff growth comparative to previous periods as most required skill sets are now in house and fundamental gaps in expertise have been filled. This trend is expected to continue into the future with the only hires being forecasted are sales team members who will directly contribute to capturing more revenue.

Research & Development Expense – R&D has been an area of steady but necessary growth as our pipeline of customer opportunities continues to increase and new products are brought to market. Alexium expects this steady growth to continue but decrease as a percentage of revenue as more customers come online in markets where successful products have already gone to market.

General & Administrative Expense – Administrative expenses are made up of several smaller expense categories such as travel, marketing, and occupancy costs, which are areas Alexium plans to make the biggest impact moving forward by being diligent in its spending and using each dollar in the most efficient manner possible.



ALEXIUM

SPECIALTY CHEMICALS AND SOLUTIONS

Addressing the Market

NASDAQ Listing - One of the immediate results from Alexium achieving cash neutrality is that it will open up investment in Alexium to a much wider range of institutional investors, both in Australia and in the US. One of the recurring themes as we promote Alexium to institutions in the US is that a US-based listing is critical for those institutions to convert their interest in us into active investment which is what makes listing on the NASDAQ exchange a key priority for us. Nick Clark continues to spearhead that effort with Alexium configuring it's application and financials for filing as a routine part of the listing process. Listing on the NASDAQ is expected mid-year.

Increased Promotion and Shareholder Interaction – As we lead up to mid-year and cash-neutrality, we are going to have an increased level of promotion and interaction with the shareholders so there is maximum clarity as to how that is proceeding. Later this month, Dr. Bob Brookins and I will be traveling to Australia for a dual-purpose trip. The first is to have a forum where the shareholders have a chance to ask questions about the business, how our operations work, where we are heading and what's around the corner from a technology and product perspective. The second is to introduce Dr. Brookins to shareholders to provide an update on our current portfolio of chemistries as well as discuss what's in-store for the future of Alexium, as his team continues to develop our next generation chemistries.



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