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News

- Alexium holds Retail Investor Conference in Sydney, Australia hosted by Dirk Van Hyning, Dr. Robert Brookings and Mark Wise
- Alexium Sales and Marketing Team introduces Alexicool to European Bedding Market at the Interzum 2017 in Germany
- Alexium officially launches Alexiflam NF to Market at the 2017 Techtexsil tradeshow

Highlights

- Chemical orders shipped increasing quarter over quarter
- Margins continue to increase beyond 40%
- Alexium quickly approaching Cash Neutrality
- Planned management succession in place for July 2017

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A NOTE FROM THE DEPUTY CEO

Alexium is now only a few weeks away from the end of our fiscal year and momentum continues to build. With this newsletter, I want to reaffirm not only our ongoing progress toward cash neutrality but give some detail on how we continue to lay the groundwork for continuous, sustainable profitability.

Update on Cash Neutrality

As we have said before, our goal for 2016 was two-fold: to grow Alexium's top-line revenues and establish the Alexium name in the marketplace. Our 2017 goal is different and more singular – profitability and margins.

The increase in overall gross margins of 15 percentage points during the first quarter have only accelerated. By the end of the current quarter, Alexium will realize margins, on a run-rate basis, exceeding our target average of 40% across all sales. The primary engine for that growth has been Alexium's rapid traction in the mattress industry, to which we supply both Alexiflam and Alexicool products. In the month of May alone, Alexium chemical shipments in this market equaled what we did in the *entire first quarter* and forecasted shipments for June would result in Alexium's chemical shipments in the 2nd quarter tripling our shipments from the previous quarter. This trend was punctuated while I was away promoting Alexium to Australian institutions by the Company receiving its single biggest one-day specialty chemical order exceeding A\$750,000.



Dirk Van Hying
Deputy CEO

In short, Alexium is well on target toward run-rate cash neutrality during this quarter.

In addition, as you will read below, we are gearing up for significant additional top- and bottom-line growth in the 2nd half of the year. The growth Alexium has experienced in the bedding industry was driven by a successful launch at the January Furniture Market in Las Vegas, NV. Our customers are gearing up for additional product launches at the July Furniture Market, and our sales staff recently attended Interzum (read below) to officially launch our Alexicool product overseas. In addition, as parallel efforts to our ongoing licensing negotiations around our new FR cotton chemistry, Alexiflam NF, Alexium officially launched that product at the recent Tectextil show to build customer awareness and demand for the product.



ALEXIUM

SPECIALTY CHEMICALS AND SOLUTIONS

Launch of Alexicool to European Bedding - Interzum 2017

The rapid success and growth of Alexium products in the bedding industry over the first half of 2017 has had its entire footprint in the United States. To springboard the success of our Alexicool product into the equally-large European market, Alexium sales staff last month attended Interzum. Interzum is the premiere bedding show for Europe and Asia with over 1,500 exhibitors and 57,000 attendees from 142 countries. Alexium had over 15 strategic meetings with potential customers and several more with distribution partners in Europe during the show and was successful in securing four different production trials at large mattress ticking manufacturers in Belgium, Germany, Turkey, and Canada. Our success with Alexicool in the United States has already spread to Europe and we look to leverage that success to the other fabric suppliers on a global basis. Our manufacturing and supply chain has already been established in Europe to immediately satisfy any level of market supply.

Flame Retardant Cotton – Alexiflam NF Official Market Launch

Alexium's strategy around our new flame retardant cotton product, Alexiflam NF, has always been to maximize market penetration and profitability of the product to Alexium. Key to that end goal is market awareness and adoption of the Alexiflam NF product, regardless of how we take the product to market, either through organic growth or licensing. To further Alexium's goals with this product, Alexium recently attended the largest technical textile show in the world, Techtexil. Alexium received an extremely strong market response for Alexiflam NF at the Techtexil trade show last month in Frankfurt, Germany. Targeting European and Asian based manufacturers in the workwear, outdoor fabrics, and military market segments, Alexium was successful at developing new relationships with 2-3 large manufacturers in each market segment. Each new potential customer is in the process of sending fabric for Alexium to perform initial coatings of Alexiflam NF and internal testing. Once internal testing is completed, these manufacturers have already requested chemistry samples for their own in-house testing, and then move to production trials.

In addition to the workwear, outdoor fabric, and military segments, Alexium has identified another large market where NF could potentially be disruptive. This market, which is an application within the bedding industry, produces over 20 million units annually in the United States. Not only is this market large, but this particular part of the mattress is essential to passing the stringent industry FR standards. Being able to provide a unique FR solution at an extremely competitive cost would allow potential customers to use Alexiflam NF versus these inherent yarns used today. These inherent yarns come with their own set of problems, such as propensity to breakdown and potentially cause skin irritation. Initial in-house testing has already proven positive and steps to identify potential partners are moving forward.



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