



LAS VEGAS
MARKET



THE LAS VEGAS

SUMMER MARKET 2017

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A NOTE FROM THE CEO

This is my first newsletter to you fully in place as the Chief Executive Officer, and I am humbled to have been selected for the position. It would be remiss to not recognize the incredible contributions of the former CEO, Nick Clark, in building the foundation of the company that I now have the privilege to lead. My goals as CEO are quite simple: to lead the company to long-term, sustainable, profitable growth and engage in clear, consistent, and unambiguous communication with the shareholders. It has been a long road in my path within Alexium to where I am today. I joined the company in 2013 as a Senior Chemist and as I have risen through the ranks I have seen this company grow from a true start-up with little more than a technology to a company with a solid suite of world-class products and an even better team behind them supporting strong sales growth. I am excited to take on this role and guide the company to fulfill the great promise and potential it has had for so long.



Dirk Van Hying
CEO

OPERATIONS AND SALES UPDATE

Alexium is now one month into our new 2018 fiscal year having finished the 2017 fiscal year on a high note with our first ever cash positive month in June. Alexium continued the success we saw in June with strong top-line sales in July while increasing the margins over those realized in June. Sales into bedding continue to be robust as Alexium's products continue to be introduced to, and adopted by, new end customers while progress continues to be made in other areas. After months of scale-up and support efforts, Alexium is very close to its first full-volume chemistry sales to the finisher selected by Pegasus Home Fashions to roll out their new cooling pillow. In addition, based on product performance and runnability, Alexium has begun work to explore opportunities with this finisher in adjacent spaces.

FINANCE UPDATE

As we stated in the 4C last month, Alexium ended the quarter with A\$3.4M in cash and cash equivalents with another A\$1.5M in receivables for a total of \$4.9M in cash assets alongside a cash neutral month of June. While our cash burn has slowed dramatically over the past three quarters (to a net gain in June), a key part of Alexium's strategy has been to ensure we have a healthy cash balance and working capital to enable rapid growth. In addition to our cash balances, receivables and cash generation from higher margins, Alexium made the strategic decision to seek to extend our working capital facility to support the growing rate of new customers and orders. The strong improvements in financial performance has enabled Alexium to field several attractive offers to extend our debt facility and improve our debt terms and a new facility will be completed shortly.



ALEXIUM
SPECIALTY CHEMICALS AND SOLUTIONS

OUTDOOR AND TENTING FABRICS

In the second half of 2016, Alexium saw an opportunity in the mattress market space to develop an all-in-one solution which delivered a suite of high-performance functionalities with a single product and we have seen great success with that product. Alexium has seen a similar opportunity in the outdoor fabric and tenting space and developed our newest product in the Alexiflam™ PB product line. This new product is:

- a complete package for flame retardant, durable water repellent and hydrostatic needs;
- a non-toxic polymeric flame retardant, fluorine-free water repellent;
- water-based product for environmentally-friendly manufacturing processes;
- REACH compliant, TSCA listed; and
- Oeko-Tex compliant for all components.

This new product satisfies the three major specifications for the outdoor tenting market:

- CPAI 84, passes flame retardant testing after weathering, UV and water soaking;
- AATCC 127, passes hydrostatic pressure test, 4000mm; and
- AATCC 22, 100 spray rating.

With this new all-in-one product, we now have a product that leverages the same strengths as the Alexicool™ product line does in bedding – a world-class in terms of performance and an all-in-one product to reduce complexity while meeting the cost targets of the industry. Alexium VP of Sales, Scott Hunter, recently attended the Outdoor Retailer Show in Salt Lake City, Utah, the largest show for outdoor fabrics in the US, where the new Alexiflam™ PB product had an enthusiastic reception.

BARRIER FABRICS USING ALEXIFLAM™ NF

As we have discussed, Alexiflam™ NF is a proprietary polymer developed by Alexium for the flame retardation (FR) of cotton-based fabrics. The novelty of Alexiflam™ NF has allowed us to develop new applications that are beyond the scope of traditional FR cotton products. A recent development in our labs is the application of Alexiflam™ NF for FR barrier fabrics. FR barrier fabrics are used as layers within a composite structure that will insulate any underlying materials from a heat source. The FR barrier fabric is effectively “sacrificed” during the burn process so that it can provide a strong, consistent char that protects these underlying layers. Due to the strength and consistency of the char formed by an Alexiflam™ NF-treated fabric, our product can provide a cost-effective, easily processed product to replace the current inherently and costly FR fabrics that are used for these barrier fabrics. The cost decrease enabled by Alexiflam™ has the potential to be a truly disruptive product in this space. Alexium has identified a number of opportunities in this area and is working with companies in these markets for product development. The opportunities span both home textile and industrial applications.



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