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A NOTE FROM THE CEO

As shareholders have come to know, the purpose of our monthly newsletter is to complement our ASX releases and to talk directly with our shareholders and followers. Over the past two months, as you know, Alexium has experienced a marked decline in share price. However, from the perspective of the management and operational team in Greer, this decline represents a total disconnect with the fundamentals of our business progress, regulatory trends, and does not reflect the growing strength and success we are experiencing not only in terms of contract wins but also in terms of sales pipeline growth and R&D progress. Over the last few months, Alexium has realized cash generation in our business, higher margins and reduction of costs as we transitioned away from lower margin sales we had used to demonstrate supply chain robustness and build customer awareness.



Dirk Van Hyning - CEO

Alexium's transition to a more institutional communication style over the last nine months meant we have not announced each and every new sales contract which together adds cumulative material revenue streams. In that time, Alexium has continued to sign new business, and a large number of new customers have completed initial samples treatments, refinements and production trials which has enabled our customers to engage in product marketing to their customer base. The results of these efforts have been flowing through recently and are set to build as we continue to transition to these higher margin products and customers away from the lower margin business which helped build brand awareness.

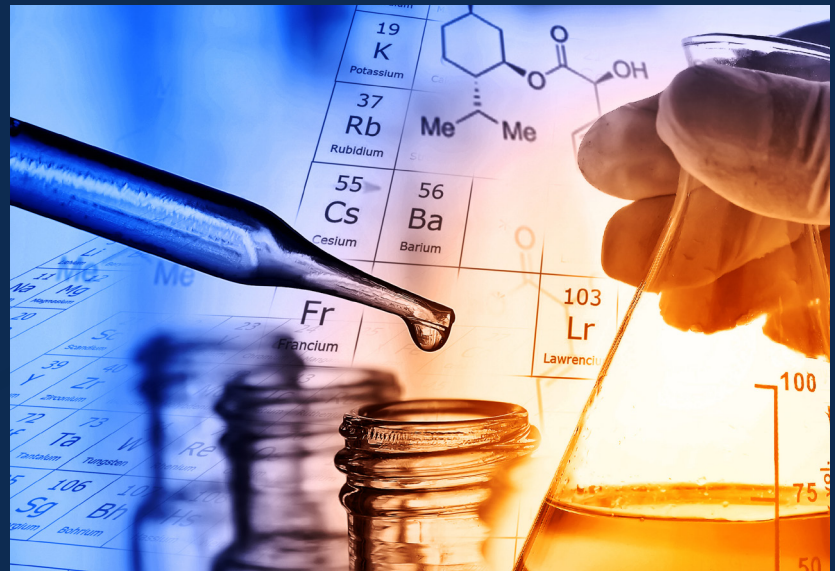
Since Alexium has, of late, focused on more granular, short-term financial performance and metrics, the goal of this newsletter is to reestablish that we are a technology company with strong growth potential from high margin products, that we have a deep product pipeline, and that our financial strength, market positioning, and long-term prospects are at our strongest level in our history.

HIGHLIGHTS

POSITIVE MARKET DYNAMICS

Alexium continues to hold a strong technology and product offering position working with market leaders in massive markets which have strong tailwinds in Alexium's direction. Highlights include:

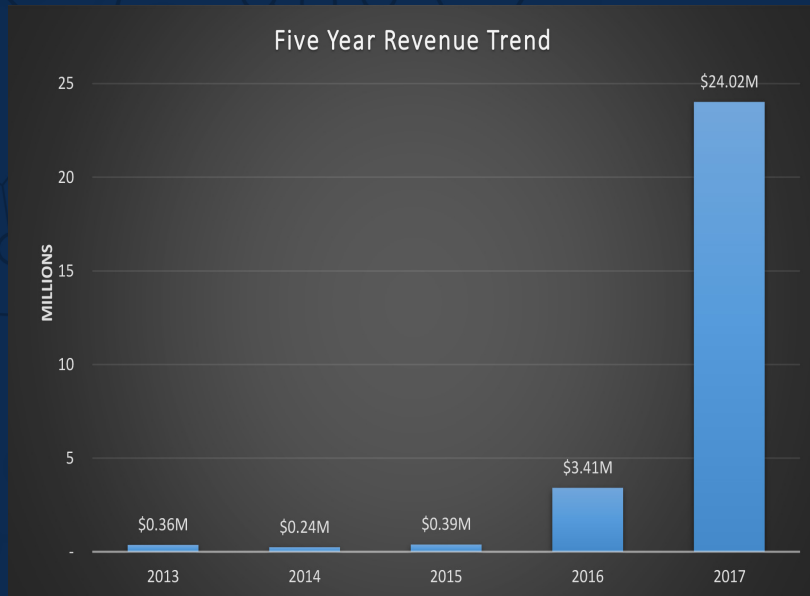
- In the flame retardant space alone, approximately 65% of an estimated \$8.2B market are organohalogens, a class of material for which the US CPSC just began the rulemaking process to ban in the United States. An estimated 56% of that total organohalogen consumption is in the United States (\$2.9B) and in need of an alternative solution. Alexium has currently penetrated only a small fraction of that total as much of market has awaited bans before acting which provides us with a very large upside potential.
- Many potential customers are not only aware of our products but have done initial trials and are ready to act when the bans come into place.
- We are also able to address this burgeoning opportunity through a capital-light, toll manufacturing model and we have negotiated capacity in both the US and Europe for this very occurrence.
- Alexium is currently selling to or actively scaling up products with market leaders in key platform product areas of military, outdoor fabrics/tenting, apparel/active wear, bedding, pillows. Each of these individual contracts has not been announced on ASX, in keeping with the more institutional announcement strategy but together they are material in revenue terms, which has started to reflect in the high margin growth demonstrated in our quarterly releases.
- In addition to those textile-based market leaders, Alexium continues to be engaged with customers in promising areas outside of textiles including protective coatings and epoxies in the building and electronics industries with active strategic efforts to tailor products to rapidly penetrate the non-textile market.



HIGHLIGHTS

ALEXIUM'S FINANCIAL STRENGTH

With Q1's FY2018 cashflow positivity being a key indicator that the product transitions, raw materials economies of scale and efficiency improvements management have made are working, Alexium is well positioned to continue to increase its cash position organically throughout the year:



- Strong recurring revenue trend over the last six months due to applicability of platform technologies
- Continually increasing margins as a result of rising rate raw material economies of scale
- Strong working capital position of \$9.5M due to debt refinance and last quarters' cash generation of \$0.36M
- New customers coming online and scaling up products in the short and long term with five customers added in the last three months
- Streamlining of the company's expenses



HIGHLIGHTS

DRAMATIC GROWTH OF SPECIALTY PRODUCT LINE

Continual Onboarding of New Customers

In the last two months, Alexium has successfully won business and started selling to five new customers for various applications in the home textile market. These customers have all started to order chemistry and represent recurring revenue of approximately A\$4M p.a. This not only represents growth to the top and bottom line but also is a substantial addition to Alexium's customer base in the home textile segment. As we have seen historically with other customers in this same space, initial run rates often grow as end customers build market awareness of the performance, quality, and ease of use which leads to further product placement, representing a large potential upside to these starting figures of A\$4M.

Ongoing Globalization of Product Sales

Over the past year, Alexium's rapid growth in sales has been predominantly with North American bedding manufacturers. We have focused on expanding that customer base to other textile markets around the globe. Alexium is seeing the success of this effort with the launch of our Alexicool™ technology with a strategic partner in China. We have shipped the first commercial order with the first production run scheduled for the 2nd week in November. Ramp up and expansion is expected in Q1 calendar year 2018 as our partner further penetrates retailers for these markets.

Rapid Rollout of Alexiflam® NF Platform

Alexium is very excited about the rapid success we have had in launching our Alexiflam NF in the international markets. Since attending Techtexil in Germany in May, we have exceeded the International Durability Standard of 50 washes at 60°C. We continue to work directly with key manufacturers of various flame-resistant applications such as workwear and United Nations tenting in license and global distribution negotiations for our FR products. The goal is to identify key strategic partners with an established presence in the textile market who can rapidly expand Alexium's global reach. The first Alexiflam NF production trials with both our direct sales, license and distribution partners are likely to occur prior to the end of the calendar year. We have previously stated that it is likely that we will undertake direct sales in the US while working with a license partner in Europe and other geographical sectors.



HIGHLIGHTS

Military

We stated in the last 4C that once Alexium and its partner finalize the fabric construction and adjust the final FR treatment to match, the project would move into a procurement phase, which includes: hazard assessment, limited user evaluations (i.e. field trials) and specification writing. This effort, once successful, is expected to cascade into adjacent programs in other branches of the military and US allies in NATO.



These are very large and valuable opportunities and once the military change specifications, procurement and place orders, these become long term contracts. That is why they take time to conclude but we are now much closer to military orders with the benefit of the experience of partner, who is a prime defense contractor in this space.

We expect to be able to update the market with news on our military efforts soon.

IN SUMMARY

While Alexium may in the future, like every growth company, occasionally face short-term and temporary variations in revenue streams on a month to month basis as market conditions vary, the fact remains that Alexium is operating in, and having resounding success in, massive markets for which the tailwinds for Alexium have only grown over the last few years. I look forward to being able to update you as that growth comes to fruition in the months and years to follow.



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