

ALEXIUM ANNUAL GENERAL MEETING 2017 MANAGING DIRECTOR AND CEO ADDRESS

Dear Shareholders,

I am proud to address you at this year's AGM as your new Managing Director and CEO.

Since I accepted the role of Deputy CEO in January of 2017, my driving focus has been to pivot the business model of Alexium to fully reflect our shift from technology development company to a product commercialization and high growth company.

In this process, we have also managed the move from initial low margin customized business used to create our name in the market place, establish both supply chains and customer and supplier credit relationships to higher margin and higher growth business.

This pivot has been very successful in both the flame retardant (FR) and phase change material (PCM) markets with increasing top line revenues, greatly expanded customer base, and in making a rapid transition towards cash generation.

Highlights from FY2017:

- Revenue from **chemistry sales up 593%** from \$3M in FY2016 to \$24M;
- Virtually **100% of revenue converted to recurring revenue** streams with varying size and frequency by customer;
- Average GP margins on chemical sales **increased by 13.3 percentage points** from FY2016 to 1% and now at 23% with higher margin business over 40%;
- GP margins **increased by 37 percentage points** from Q3 2017 to Q1 2018 with further growth forecasted;
- Alexium realized **its first ever whole quarter of cash generation** in the September FY2018 Quarter
- Introduction and rapid growth of new Alexicool platform product in the mattress market, **with shipments growing 1800%** from 5MT sold in December 2016 to a monthly run rate of nearly 90MT by the end of FY2017;
- More **than tripled high margin revenue customers** over the course of FY2017 with **an additional 4x increase in customer base** forecasted over the course of FY2018;
- The regulatory environment swung heavily in Alexium's favor as the US Federal Consumer Product Safety Commission **took sweeping action against non-polymeric organohalogens** in favor of eco-conscious alternatives such as Alexium's chemistries and where our chemistries have additional benefits of performance enhancement and being cost effective.

Nimble Shifts in Strategy as Markets Continue to Open Up – Platform Technology Based Products

In the middle of 2016, Alexium was successfully executing its stated strategy of growing the top line and establishing its name as a world-class specialty chemistry provider. During that effort, Alexium, as an offshoot of its initial attempt to launch an FR product onto its first bedding line, saw a new type of opportunity, the platform technology product. During 2017, Alexium has created 6 different platform products based on clear market needs with the potential to grow the customer base and gain market share much faster than Alexium has historically.

Listed below are some highlights about the technology and customer set for Alexium's six platform products:

1) Alexicool AL for Mattresses

Alexium's first platform product, a combination of flame retardant, PCM, anti-odor and anti-dye-transfer chemistries, and a binder package. Launched in early FY2017, Alexicool shipments grew by 1800% during the year by expanding to eight finishers on over 25 mattress brands. In the next year, we expect continued expansion into other components of the mattresses and lower price/higher volume mattresses which will **potentially increase sales volumes by a factor of 400-500%**. Additional growth opportunities lie in Europe, where Alexium is just starting to build on our initial foothold.

2) Alexicool HT for Home Textiles

Alexium's second platform product is a PCM backcoating for removable mattress toppers, duvet covers and pillows. This product requires the ability to be backcoated and have limited wash durability. Alexium has now initiated sales with Pegasus Home Fashions, **a major supplier of pillows into US retailers with a long-term sales volume outlook of US\$10M per annum**. With total global pillow units sold per annum is approximately 100,000,000, the potential upside for Alexicool sales into this sector is substantial. The work on this contract started in January 2017 and through expanded product opportunities for which additional product trials were required, production commenced in the last quarter.

3) Alexiflam FR for Military/Protective Applications

Alexium advanced its efforts toward major military uniform contracts in 2017 on two fronts. To make the standard ACU pass the standards of the Fire Retardant Army Combat Uniform (FRACU), Alexium has partnered with a major supplier to the US Army and is tailoring the weight and breathability of the base fabric to meet all FRACU specifications. Successful final results are possible as early as Q3 FY2018 for when initial procurement could start. The second drive is to take the standard Army Combat Uniform (ACU) and give it a minimal level of FR protection at the uniform level and Alexium is working with another key potential provider to achieve this end goal. **Conservative p.a. revenue from these parallel efforts is \$40M on a recurring basis**. Defense industry contracts are generally long term and every effort is made by the end customers to ensure the best product specifications are achieved before the initial procurement commences. It is because of the long term valuable nature of these contracts that they take time to

conclude and we have been working in this area for over 2 years to meet the US Army and now US Marines highest expectations.

4) Alexiflam NF for natural fibers (cellulose and wool)

During 2017, Alexium developed a groundbreaking new chemistry, Alexiflam NF, designed to make cellulosic materials (cotton, wool and wood) flame retardant. The FR cotton chemical market is ~\$100-\$200M per annum and is dominated by two products (Pyrovatex CP, Proban) which are difficult to apply correctly and contain very high levels of free formaldehyde, a known carcinogen. Alexiflam NF is inexpensive, very easy to apply and contains no reportable free formaldehyde. During 2017FY, Alexium launched a marketing campaign around Alexiflam NF and the result of that effort was a large number of customers ready to convert to Alexium's chemistry and a number of global partners interested in licensing agreements of some scope following recommendations to increase wash durability which has now been achieved. **The potential for Alexium in just the cotton market alone is \$100M or higher.**

5) Alexicool DR for Apparel

After the development of our initial Alexicool AL line for bedding, we identified a technology gap in the apparel "cooling" function, which is highly touted by every major underwear/activewear brand. While the current "cooling" product refers to a moisture wicking technology, no chemical supplier has been able to provide a PCM-wicking combination. In 2017, Alexium developed the first-ever wicking-PCM combination which is 30 wash durable. Alexium is currently in implementation and scale-up with global market leaders in this ultra-high-volume market. News will be released as and when these new opportunities are finalized or through our quarterly market updates depending on size.

6) Alexiflam PB for Outdoor Fabrics

Alexiflam PB is an all-in-one product chemical package which contains flame retardant, water repellant and protective coating which has been Oeko-Tex registered, one of the highest environmental seals of approval. With the recent US CPSC decision on organohalogens, Alexium has been educating end tent retailers on the hazards of current flame retardant treatments and has made significant headway towards new revenue streams.

While 2017 has been a tumultuous year for the share price, the sales volume, margins, cash position and sales opportunity pipeline have never been stronger. We are a high growth disruptive technology company and my aim is to ensure in our communication that we consistently seek to be measured by our performance trends over multiple periods, rather than by quarter on quarter analysis more relevant to low growth companies.

I am also pleased to see Sue Thomas and Claire Poll join our Board as Australian based Non-Executive Directors. Our Board has been very supportive of management's efforts in driving the platform based technologies and have assisted in helping to negotiate the consumer, defense and US regulatory landscape. Claire and Sue will be able to provide guidance on issues that typically arise for companies like Alexium in rapid growth phases and add cross border and M&A experience and additional bench strength on ASX

experience, governance and capital markets.

I also wish to thank our Chairman Gavin Rezos for his guidance to me and the board over the last several years.

Alexium is poised for exceptional growth over the next several years as we continue to grow our core markets, develop new platform products, form partnerships for faster penetration of new markets and invent the next generation of high-performance disruptive chemistries.

Sincerely,

Dirk L. Van Hyning, Ph.D
Managing Director

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About Alexium International Group Limited:

Alexium International Group Limited (ASX: AJX, Nasdaq Designate: AXXIY) holds proprietary patent applications for novel technologies developed to provide flame retardancy for a wide range of materials. These environmentally friendly flame retardants have applications for a number of industries and can be customized. Further, Alexium has developed products for a range of other applications including phase-change materials, water repellents, antimicrobials, and combinations thereof. Alexium also holds patents for a process developed initially by the U.S. Department of Defense, which allows for the surface modification and attachment of nano-particles or multiple chemical functional groups to surfaces or substrates to provide functions such as fire retardancy, water proofing, oil proofing, and anti-microbial treatments. Applications under development include but are not limited to textiles, packaging, electronics, and building materials. Alexium's chemical treatments are currently marketed under the Alexiflam™, Alexiflam FR™, Alexiflam SYN™, Alexiflam NF™, Alexiflam AD™, Alexiflam PB™, and Alexicool™ brand names. For additional information about Alexium, please visit www.alexiuminternational.com.