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NOTE FROM THE CEO

Highlights and News

- Alexium pioneers new tool to quantify PCM cooling capacity; Alexicool delivers higher cooling capacity compared to competition
- New PCM tool developed in response to lack of reliable PCM comparison methodology that has created margin pressure
- Alexiflam@NF achieves REACH registration; poised for growth in Europe, US and Asia
- Alexium hires Fortune 1000 marketing/communications exec to spearhead global strategy

A NOTE FROM THE CEO

Dear Shareholders,

As the CEO of Alexium, a frustrating aspect of the past few months is that at a time of such strong progress for our company, confidentiality considerations both in relation to government procurement and potential commercial partners have significantly limited what information we have been able to make available to our shareholders on progress in these areas until final agreements are signed and confidentiality lifted. However, I can confirm that we are on track towards achieving key milestones both in the defense sector and licensing/distribution which we stated in December 2017 as being the reason for the December placement and SPP.



Dirk Van Hying, CEO

This continues to be an exciting time for Alexium and I hope that this brief summary highlights just some of the reasons why we remain so enthusiastic for the future. As a specialised chemistry provider, we know that we have a unique and superior platform technology, a fact that we can now demonstrate to our customers. Most importantly, we have a team of very bright and motivated scientists supporting our technology research and product development.

We value your continued support as a shareholder and remain committed to providing more detailed information on commercial developments as soon as we are able.

Sincerely,

Dirk L. Van Hying, Ph.D.
CEO and Managing Director

Phase Change Materials

Our initial commercial success came from the application of PCM's in the bedding industry. Despite this growing acceptance of technology, we had noticed that the greatest inhibition to an even more rapid acceptance of our product was the fact that there existed no 'scientific' analytical data available to measure and compare performance of different PCM solutions. In any industry, when there is a vacuum of accepted metrics (or even worse, inaccurate metrics), all products, regardless of performance, will experience price pressure towards the cheapest market offering. We have experienced margin pressure this last quarter in some of our PCM products which will be reflected in our quarterly report to be released later this month.

Alexium made the strategic decision earlier this year to make significant investment in analytical equipment and we are in the process of launching new analytical tools to the PCM customer base which will allow quantification of the cooling performance and dynamics of our products and allow us to compare Alexicool's performance against any global competitor. For the first time, precise, real-world, objective data is being made available for customers to make an informed choice and understand quality and value which we expect will enable us to recapture those lost margins as Alexicool is demonstrated to be a superior quality, durable and cost effective product. Later this month we will be communicating to the market the details of our new analytical method, our efforts to establish this method as the standard in the PCM market, and an initial study of how Alexicool-treated Pegasus pillows, as a first example, compare to the competition using this new metric.

Not surprisingly, we have already used initial development of the tool to conclusively demonstrate to a new customer that Alexicool provided twice the cooling of a leading competitive product. We will be actively promoting the service with our current and prospective customers to enable them to both measure performance of competitor products and to promote the superior performance of Alexicool upon formal launch later this month.

We have also applied this measurement technology to our own product range to optimize performance and cost. This has been an extremely valuable exercise, enabling us to analyse, compare and demonstrate a range of product options depending upon customers' budgets and performance criteria. Once we have completed the normal testing involved in product development, we will be adding additional products this summer to our PCM portfolio to address a wider range of customer demands. No other competitor has this capability and we are therefore ideally placed to gain a significantly larger share of this fast growing PCM market not only in bedding but in other applications.

Highlights

Alexiflam® NF

The full European REACH registration of our Alexiflam NF was achieved 6 months ahead of schedule and was a major step forward as it enables us to make unrestricted volume sales of our unique chemistry in Europe. This was of critical importance for those multiple prospective customers and commercial distribution partners who have been conducting scale-up trials in anticipation of compliance. Our focus on the treatment of natural fibers is based on our belief that Alexiflam NF is particularly well placed to gain rapid acceptance in the significant European/Asian workwear market valued at between \$40 - \$50 million annually in Europe/Asia alone with a growth rate of approximately 6%. With the launch of Alexiflam NF, customers will have access for the first time to an environmentally-friendly flame retardant chemistry for natural fibers, which is simple to apply, requires no additional equipment but is both durable and, most critically, cost effective compared with incumbent chemistries. For the US market, TSCA registration for Alexiflam NF is in process and we expect this to be completed within 2018. Alexium has identified our key prospective customers in this sector who we will service directly. We believe that the Alexiflam NF product will be a transformational opportunity for Alexium.

As a platform FR treatment developed initially for the treatment of cotton, Alexiflam NF is designed for all cellulosic materials including timber for the construction industry. Following discussions within the construction industry, we are adapting the chemistry to address some specific needs. Work on this application is progressing rapidly and we are very confident that once formulation issues have been optimised and testing is complete we will have a product offering these same benefits of Alexiflam NF to the timber industry later in 2018.



Strategic Communications

Alexium is taking steps to further increase the effectiveness, clarity, and professionalism of all communications to the market and shareholders moving forward. To this end, we have made a strategic hire, Vice President of Corporate Communications, Bobby McLain. Mr. McLain brings deep experience in B2B, B2C, and partner channel marketing, serving as Vice President of Marketing and EVP of Corporate Communications during an 18-year career at global technology company ScanSource, Inc., (NASDAQ: SCSC). As VP of Marketing, Mr. McLain provided executive leadership of ScanSource's marketing and brand strategy in North America, as well as its launch into Mexico and western Europe. He developed and managed a large team of communications professionals responsible for creating channel marketing strategies and new product launch campaigns for over 200 manufacturer partners.

In his role as EVP of Corporate Communications at ScanSource, Mr. McLain provided oversight of the company's global marketing, brand and corporate communications strategies, leading a team of professionals in 16 countries across North America, South America, Mexico and Europe. Mr. McLain's marketing leadership at ScanSource was instrumental in that company's growth from a start-up to over \$3B in annual sales during his time there.



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