



LETTER TO SHAREHOLDERS FROM THE CHAIR

Dear Shareholder,

The long-term sustainability and resilience of our business is critical

The past 18 months for Alexium International Group Limited (Alexium) have been challenging as we transformed and repositioned our business. Today, Alexium is a performance chemicals organization operating in niche markets. Our strategy is to work with customers, as a trusted business partner, to deliver value as they innovate and develop new products.

Our new customer service model ensures Alexium is:

- a trusted adviser to our customers' innovation and product development teams
- a provider of tailored chemical products leveraging a customer's existing supply chain
- educating customers on how to use our products to best effect, and
- providing analytical models to assess the effectiveness of our products delivering important evidence to customers for their marketing claims

As previously announced to the ASX, the business is now repositioned with a solid foundation to penetrate identified addressable markets and has a management team in place with deep performance chemicals expertise. We also have the business systems to support these outcomes and deliver higher margins.

The last building block to support the ongoing sustainability and resilience of the business has been to restructure our balance sheet.

In some ways, this has been the most difficult to achieve, particularly in the current economic cycle and with volatile capital markets but is absolutely essential to deliver sustainable shareholder value in the medium term. The Board has been working on this outcome for the past 6 months and you will have seen our recent announcement of a capital raise on 27 November 2019 which includes a rights issue, a placement of shares and a new convertible

note. We will shortly be issuing a Notice of Meeting for shareholders to seek various approvals relating to the placement and the convertible note.

The outcomes of this restructure of the balance sheet are contained in the prospectus (which I would encourage you to read carefully) and include:

- total capital raise funding of A\$22.3 million including new institutional and high net worth investors
- provision of working capital to support the acceleration of growth opportunities
- repayment of the existing debt package which has a 13.5% coupon and high transactional costs
- the introduction of Colinton Capital Partners, a well-regarded Australian mid-market growth investor, as a new cornerstone investor, and
- the appointment of Mr. Simon Moore, a Senior Partner of Colinton Capital to the Board.

The Board believes this restructure of the balance sheet is required to ensure the business is sustainable and resilient such that management can focus and capitalize on the growth opportunities in front of the Company and deliver shareholder value in the medium term. Having a new investor in Colinton Capital Partners on board will further support us in the execution of these outcomes.

I encourage you to carefully read the Prospectus and evaluate taking up your rights under the rights issue. This is an important way to support the Company at this time. I also encourage you to vote at the forthcoming General Meeting in January 2020.

*The Entitlement Offer is scheduled to **close on 16 December 2019.***

*If any Eligible Shareholders would like to access the Prospectus and their Entitlement and Acceptance Form on-line, please visit Automic's investor page (<https://investor.automic.com.au/#/home>). Via your Automic account, shareholders are able to access relevant documents and statements, including the Prospectus and their Entitlement and Acceptance Forms. For assistance with accessing your Automic account, and downloading your Entitlement and Acceptance Form, please contact Automic on hello@automic.com.au or by telephone on 1300 288 664 (within Australia) or +61 2 9698 5414 (overseas). If you have any questions in relation to your entitlement under the Entitlement Offer, please contact the Company Secretary, Maja McGuire, on **+61 8 9278 2538.***

I also want to take this opportunity to provide you with a brief business update as the management team have been extremely busy over the past couple of months:

Alexicool® FM for PCM applications to foam

Earlier this year, we launched Alexicool® FM, and recently, we were asked to participate in a competitive procurement process for a new bedding line with a major mattress supplier. We are pleased to announce that we have been successful in the procurement process and we have been advised that sales are expected to begin in early 2020.

Expanded consumer products with Alexicool® technology

We continue to work with our customers on the introduction of new product lines (including textile and foam applications for top of bed) using Alexicool® technology in early 2020. These new product lines will further support the strong organic growth profile of the business over the medium term and also demonstrates the strength of Alexium's PCM value proposition to our customers.

Transition of Alexium's FR NyCo Technology to Pine Belt Facility

We are pleased to report that the transition of Alexium's FR NyCo technology to Pine Belt's facility is progressing with production scale testing underway. Early results have been positive with the targeted launderability and flame retardancy standards met in the testing undertaken so far. The current focus of this effort is on further process refinement to enable the optimal product performance. Upon satisfactory completion of these application trials, the next phase is military trial and evaluation. Based on progress so far, this is expected to occur before the end of FY20.

Multiple Channel Approach for Alexiflam® NF

Due to the size of the addressable markets, the Company has decided to pursue a multiple channel approach to maximize the market penetration of Alexiflam® NF, with the proposed ICL Distributor Agreement (currently being negotiated) as one of those channels. We are pleased with the negotiations with ICL to date and expect those discussions to continue into Q3 FY20.

We are continuing to make good progress across our strategic initiatives, and with new revenue streams coming online over the next few months, we are well positioned to be EDITDA

positive on a monthly basis within this financial year. This will be achieved later than the targeted date of December 2019 as a result of the new product launches and customer timelines.

It is important that we now focus on the next 18 months as we work to increase our market share across our product lines, improve margins and capitalize on the work we have undertaken to transform and reposition the business.

Despite the challenging last 18 months and our need to undertake a capital raise at this time, I am confident going forward we have the team, the sustainability and resilience to execute effectively against a strategy that will benefit our shareholders over the medium term.

My request to you is that you continue to support the Company by participating in the rights issue and voting in favour of the resolutions at the General Meeting to be held in January 2020.

A handwritten signature in black ink, reading "Rosheen Garnon". The signature is written in a cursive style with a large, looping flourish at the end.

Rosheen Garnon
Chair