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ANNOUNCEMENTS:

- Leading Military Fabric Supplier Schedules Scale-Up
- Alexium takes Revolutionary Technology to Jefferies Industrial Conference in NYC
- Alexium Continues to Grow
- Major Bedding Customer Increases Order
- Major Bedding Customer Continues Expansion
- Defense Innovations Days Conference: Alexium Invited as Cutting Edge Innovations in Defense

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August has been yet another exciting and successful month for the Alexium team at Company Headquarters in Greer, SC, as well as, with me in Washington, D.C.

I continue to be busy in Washington, D.C. multiple days a week, working with our lobbyists and government contacts, promoting our products to the military and educating policy makers about the eco-friendly flame retardant options currently available for consumer products.

Because of our increasing presence with the government and lobbyists, Alexium now has office space based in Washington D.C. that I occupy. This space is shared with the American Security Project organization.

As some of you may know, our growing reputation in Washington, D.C. enabled our attendance to the Defense Innovation Days Conference, hosted by the Southeastern New England Defense Industry Alliance (SENEDIA) in Newport, Rhode Island. This is a strong platform for our overall military and defense sector strategy. This event was significant to Alexium, as we were officially invited and were grouped among the largest military contractors in the US was a privilege for Alexium. Steve Gravlee, VP of Sales, had the opportunity to meet Under Secretary of Defense Kendal III and his attaché Col. Britton. The Under Secretary now has hand delivered Alexium brochures for his files when our name comes up for program approvals.

// As our relationships continue to develop in Washington D.C., I am even more confident with our partnership with the US Military.



MESSAGE FROM THE CEO



Nicholas Clark
CEO



Dr. Dirk Van Hyning
President

OPERATIONS UPDATE

In addition to progress towards market for many commercial sector opportunities, as our Vice President of Sales Steve Gravlee details below, August proved to be a very busy month of activity for Alexium on multiple fronts in our comprehensive military strategy.

Military

Natick – Participating in the Southeastern New England Defense Industry Alliance’s Defense Innovation Days, Steve Gravlee met with several members of Natick. Our work on three initiatives with Natick continues. We continue to be on target with the final stage award with Natick for the Green Initiative in October 2015. We are supplying a major producer of greige military fabrics chemistry for their effort with an adjacent Natick group and we have invoiced and shipped trial chemistry to another NyCo supplier to the military for their trials in the same effort.

Overseas Military – Plant trials on treating NyCo are getting underway in Europe based on Mark Valdario’s trip to Europe following up on the strong leads from TechTextile in May. He traveled with representatives from iTextiles and Euroflam. We expect to launch product to at least 10 customers this year for \$500K revenue growing to \$2 to \$5 Million in 2016.

Independent of our Green Initiative efforts with Natick, our team is currently at a facility running a trial to treat fabric with Alexiflam and permethrin for cut and sew into uniforms. We have a date scheduled for burn testing on the PyroMan in October prior to presentation to Military Procurement. This presentation will hopefully result in a \$5M-\$7M wear trial, leading eventually to the ACU/FACU contract.

SALES UPDATE

August has been another very successful month for the Alexium Sales Team. In addition to having a busy month, we brought on another key Sales Representative, Lee Lemere. Lee has an extensive resume with contacts across many industries. He has already made an impact chasing existing leads and reconnecting to former colleagues.



Steve Gravlee
VP of Sales

Progress in each market is identified below:

Home Furnishings and Bedding

We continued to ship to our Major Bedding Customer's finishers for the roll out of their new product. Indications are that an increase in shipments is just in front of us. Alexiflam's performance has not wavered in the additional runs. The Las Vegas Furniture Market Show in early August proved to be a wonderful opportunity to meet with all of the major mattress ticking producers in the industry. Follow up visits to each potential customer have started and will continue into September. The experience gained with our Major Bedding Customer trials will be very beneficial during this time. In addition, we began working on a solution to treat knitted socks with Alexiflam for FR protection of the foam mattress. Many mattress producers use an FR sock and don't treat the ticking fabric at all. This opportunity has an annual potential of \$3-\$4 million US dollars.

John Stelling attended the FIME International Medical Exhibition in Miami to meet with the largest European producer of hospital beds. As a result, we will begin work on an FR solution for their beds. This opportunity has an annual potential of \$2-\$3 million dollars.

Outdoor

In our Outdoor market, we are finalizing a solution for a semi-durable finish on 100% cotton for tenting. We have a customer that wants us to source the fabric, finish it and sell him the FR treated fabric. This opportunity in cotton tenting is forecasted to lead to \$200,000 in revenue in 2015 and \$10 million in revenue in 2016 for cotton tenting applications worldwide.

Steve Gravlee met with the leading provider of outdoor recreation products in the US at the Outdoor Retailer Show in Salt Lake City. The batch process was finalized and the client is in the final selection process for a finisher.

Transportation

One of our transportation customers continues qualify Alexiflam for use in their plants. Successful lab work has moved to documentation and approval stages to begin large scale trials. Successful trial could mean potential revenue beginning in the 4th quarter and having addressable revenue of \$3 to \$4 million in 2016.

Successful plant trials were run for another transportation customer at their finisher this month. An additional trial will be run in September to confirm results. This customer has potential 2016 revenue of \$1-2 million.

Other Markets

A larger scale up trial for PET is scheduled for early September. We have completed initial trials on coated PET film for use in electronic circuit boards. This run will be laminated and tested prior to full adoption, but preliminary tests are encouraging and orders could begin in the 4th quarter with 2016 volume estimates being more than 5 million square feet of product.

We also ran a plant trial at a masterbatch fiber producer to add Alexiflam in to a masterbatch in hopes of spinning FR polyester with Alexiflam. This step looked promising —the spinning of the yarn was successful and the spinner will provide us with enough to knit into a sock for testing. The encouraging aspect of this project is that Alexiflam is scalable to various levels of volume in the masterbatch process. This attribute is not found with other FR additives.

RESEARCH AND DEVELOPMENT UPDATE



*Dr. Bob Brookins
VP of Research & Development*

I am excited to tell everyone about the newest product commercialized by Alexium.

This product is an adaptation of Alexiflam SYN that opens it to a broader range of applications. Alexiflam SYN provides a flame retardant treatment for acrylic-, nylon-, and polyester-based fabrics to satisfy standard specifications for a vertical burn test. While SYN provides exceptional flame retardancy, it requires solvents to be applied, which limits its use for some products/markets. However, with our new product, we have now commercialized Alexiflam SYN for water-based applications.

This new product offers a number of benefits:

- Applied via standard textile equipment with water-based formulations
- Applied via padding or backcoating
- Supplied as a concentrate
- Easily handled and mixed with standard textile chemistries
- Finished product has excellent hand and drape
- Durable finish when applied with crosslinking chemistries
- TSCA and REACH compliant

As the list shows, this new product provides a wide range of valuable properties. Now that this product transitions to the Product Development arm of Alexium, the benefit of this chemistry to various markets is being evaluated, and we encourage interested parties to contact us about how they may integrate this aqueous version of Alexiflam SYN into their products.

A View Inside the R&D Lab



FINANCE AND LOGISTICS IMPROVEMENTS

The past month has been an extremely busy time for the Corporate Services team. At the end of every fiscal year, the finance team begins the annual audit process to ensure that we are in compliance with the stringent reporting requirements that are mandatory for public entities. This year the Company changed its audit partner to Grant Thornton to ensure we comply with US standards accounting and auditing. This offered several advantages including: being able to deploy a team in the United States where the Corporate Services team is located along with senior management, and being able to work directly with the auditor on site increased efficiency and response times.



Aaron Krech
CFO

The Company recently added a new management role within the Corporate Services structure. While Human Resources has always been a part of the business, as the company continues to grow in size, the regulatory environment begins to become more stringent, compliance requirements change and in general more structure is needed around the business in order to streamline operations. With everyone on the Alexium team being so dedicated to growing the business outward, it is important to also look inward and continually develop the staff that works so hard to make Alexium successful. The introduction of this role has already made a huge impact and will continue to help bolster the business.

Corporate Headquarters
Alexium International Group Limited
Level 18, Central Park Building,
152-158 St. Georges Tce Perth, WA
6000 Australia
PO Box 512 Cottesloe WA
6911 Australia

Phone: +61 (08) 9384 3160
Fax: +61 (08) 6314 1623
www.alexiuminternational.com

Operating Headquarters
Alexium Inc.
Alexium International Group Limited
8 Distribution Court
Greer, South Carolina 29650 USA

Phone: +1 864 416 1060
Fax: +1 864 551 4555

