



ALEXIUM

SPECIALTY CHEMICALS AND SOLUTIONS

NEWSLETTER
April 2016



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ANNOUNCEMENTS/ DISTRIBUTION EMAILS

- New Customer Growth
- Alexium Achieves Strong Fourth Quarter Sales Momentum
- Alexium Appoints Senior Manager of Corporate Communications
- Washington State Joins Others in Bans
- Moelis Initiates Coverage of Alexium
- Alexium Global Presence Update

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THE CEO and PRESIDENT

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MESSAGE FROM THE CEO

There are two critical ingredients for success in the dynamic space Alexium occupies in the chemistry industry—efficiency in operations, and the capacity to exert influence on the external environment. As you will see in this issue, the company is managing its growth wisely as we evolve, and the increasing efficiency of production coupled with the prospects for growth in sales and distribution are encouraging as we close in on our goals for fiscal year 2016.

Alexium also is flexing its muscle in arenas that provide opportunity for continued expansion, most notably the investment community and the legislative and regulatory environments of the U.S. I am pleased that Moelis, one of Australia’s leading global independent investment banks, has initiated coverage of the company with a “buy” rating and 12-month price target of \$1.20 for our stock, a sign of confidence that was reinforced by a successful series of meetings in April with institutional investors that resulted in A\$6.0 million in new investment.

Meanwhile, momentum is building in the United States and other nations for regulatory limits on hazardous chemicals currently used to provide flame retardancy. Against this backdrop, my continued work on Capitol Hill and in the Pentagon is opening new avenues for Alexium’s environmentally friendly fire retardants.

As they say in America, we need to “tend to our knitting” to keep our internal processes aligned with business goals. I am pleased that we also are taking care to influence those parties outside of the company that can help us.



Nicholas Clark
CEO

A NOTE FROM THE PRESIDENT



Dr. Dirk Van Hying
President

Continued advances in product research and development sustained Alexium’s leadership position in the field of environmentally friendly chemical solutions, and is driving a broader view of our operations as we prepare for further growth in both sales and manufacturing.

Our focus is not limited to current sales, but is instead a more expansive view of effective global sales partnerships that will bring our innovative technology to customers around the world. In this, we are finding that a consultative approach—where our sales force engages in intensive conversations with prospective clients to gain deep insights into their specific needs—is complemented by customized solutions we develop in our labs. The result is increasing success acquiring clients in all of the sectors in which we compete.

Most importantly, receipts are up 93 percent from the previous quarter to A\$1.99 million for this current fiscal year, and Alexium is ahead of schedule to meet its growth targets for calendar year 2016.

Looking Forward

Growth & Operations Report

As demand increases for Alexium's environmentally-friendly fire retardant solutions, the company is preparing in the areas of production and sales capacity and quality.

- New toll manufacturers in the U. S. and Europe, which are engaged to produce Alexiflam chemistry, are preparing for Alexium's current and upcoming business growth and are in the process of transitioning from lab batches to production batches.
- A completely streamlined supply chain is being developed to meet Alexium's growth projection, and warehouse capacity is being increased for raw materials and finished goods.
- Alexium's supplier base is being expanded, and a number of new raw materials are being acquired to meet purchase orders for new business. The company is qualifying second sources for every key raw material and is aggressively negotiating better raw material prices to improve the bottom line.
- Given this ramp-up, more attention must be focused on quality. An ISO-9001 certification program is being initiated, and initial audits are being finalized. Currently, documentations and processes are being streamlined.

Sales Capacity

- The focus at Alexium is on top line growth and meeting projections for 2016 with the current pipeline, while working to ensure a strong 2017-2018 pipeline through growth with the company's Global Distribution Network and house accounts.
- Alexium's process for selection of sales representatives is stringent, and extensive screening and training is part of the recruitment and on-boarding processes. Sales people must have strong relationships with large players in the industries targeted.
- Partnering with TCR Industries, 20 sales representatives will soon be covering the Western states of the U.S.
- Additional sales representation has been added in Southeast U.S. and in Europe.
- Sales representatives now cover Southeast Asia, Brazil, Australia, New Zealand and much of the U.S.
- The next phase of sales coverage expansion is the electronics market in South Korea.



Michael Schwartz,
*General Manager of
Operations and Growth*



SALES UPDATE

Alexium's unique ability to customize solutions for its customers presents a distinct advantage for the sales team. Work for the bedding industry, for example, resulted in the development of a cost-efficient solution for mattress fabric that is fire retardant, anti-microbial and cool to the touch.



Steve Gravlee,
VP of Sales



Bedding and Decorative Fabrics

Several bedding customers are in trial stage currently and others are scheduled. One of Alexium's wall covering customers is in final trial stage, and production orders are expected in May.



Military

An additional round of Pyroman burns are underway, using a range of fabrics and styles. One of our sales team members has been on-site recently with a prospective customer who is currently in the pre-production stage with NYCO, Alexium's innovative 50/50 cotton fabric treatment.



Outdoor

Trials are scheduled for tent fabrics in the U.S. and in Asia, and production orders are anticipated this quarter.



Automotive

One of Alexium's European clients is nearing the stage of production order, and trials are nearing completion.



Resins, Coatings, Films and Polymers

Samples of chemistries are being provided to one of Alexium's consumer electronics customers. Forthcoming orders are expected.

RESEARCH AND DEVELOPMENT UPDATE



*Dr. Bob Brookins
VP of Research & Development*

R&D and the sales team have been working closely with customers and key industry leaders to drive deep understanding of fire retardant needs in cotton and cotton blends, a promising new avenue for Alexium's phosphorous-based flame retardant Alexiflam NF.

Bob recently presented at the AATCC International Conference in Williamsburg, Virginia. AATCC is an association serving textile professionals around the globe, and several hundred were in attendance. Bob shared the commercialization efforts for Alexiflam NF and also discussed Alexium's work with nylon/cotton blends for military applications.

The company continues to develop novel flame retardant solutions for the plastics and resins markets. Internal and external resources have been allocated for this effort, including dedicating one of Alexium's chemists to the project in cooperation with two consultants. The additional expertise has been valuable, especially as the R&D and sales teams work to understand the regulatory pressures on the plastics and resins market, which are significantly different than the textile industry's regulatory environment.

A View Inside the R&D Lab



Product Development

Alexium's Product Development (PD) area produces the customized customer solutions that differentiate the company in the marketplace. The PD Department has decades of combined experience in textiles and flame retardants and is able to take the proprietary chemical solutions that have been developed by R&D and produce ready to use, effective solutions for customers. In addition to R&D, PD works very closely with the sales team so as to understand client needs. This important work requires PD to move quickly in order to turn projects around.



Jonas Larue
Manager

ASX: AJX

www.AlexiumInternational.com

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

Operating Headquarters

Alexium Inc.

Alexium International Group Limited
8 Distribution Court
Greer, South Carolina 29650 USA

Phone: +1 864 254 9923

Fax: +1 864 752 6465

