



CHEMICAL INNOVATIONS

ALEXIUM INTERNATIONAL GROUP LIMITED

CEO Address at the Annual General Meeting

Perth, WA and Greer, South Carolina: Alexium International Group Limited

(Alexium) (ASX:AJX, AX:AJX, OTC QX:AXXIY) is pleased to set out below the address made to the Annual General Meeting of Shareholders at the Company's AGM, held today in Perth WA

Executive Summary of Alexium Growth

- **Increased year on year cash revenues** from customers and grantors from \$256k to \$400k representing a 56% growth during 2015 year. During the quarter ended 30 September 2015, quarterly cash revenues from customers and grantors, including purchase orders and commitments received leading up to September Appendix 4C, increased from \$49k to \$1.275 million representing 2502% growth compared to the same period last year.
- **Expanded proprietary Alexiflam chemistry offering** from one (Alexiflam) to four (Alexiflam, Alexiflam NF, Alexiflam SYN, Alexiflam SYN-FILL) with two additional chemistries near-launch.
- **Increased company IP position** by 25% (increase in patent applications from 15 to 20).
- **Increased staff** from 16 to 27 to fill strategic needs and realigned company structure to facilitate growth.
- **Solidified our position in military markets**
 - Selection of Alexium as key partner for the US Department of Defense (DoD) development of environmentally-friendly FR 50/50 nylon-cotton fabric;
 - Selection of Alexium as the FR sub-contractor for the US Army Combat Uniform (FRACU) program and full uniform field trials in real world situations with our first major prime contractor to the US Army.

-Our second major prime contractor to the DoD passing the stringent Pyroman FR tests on their uniform fabric treated with Alexiflam.

-This selection opens up the US\$240m pa military FR world market a large part of which is represented by the US.

- **Cash reserves of over \$11m with sustained revenue from major customers** ongoing, sustained revenue from the first three major clients, including Murdock Webbing and two major bedding brands, to represent approximately US\$4-\$5M revenues in CY 2016 from just these 3 customers alone.
- **Increased number of commercial customers** for Alexiflam Chemistry from 1 to 13, with that number projected to triple in CY2016.
- **Alexium successfully expanded chemical sales** into non-textile markets, which represent a large portion of the FR chemistry market valued at US\$7billion pa in 2014 with over 40 million tonnes of FR sold and growing at a 5.7% CAGR.

Review of the Year

Alexium efforts have focused on specialty chemical solutions for a broad range of military and commercial applications. Major developments have been made in stand-alone specialty chemical solutions for flame retardant applications which provide an environmentally friendly technology that satisfies significant market gaps.

Alexium has made a dedicated approach in the commercial sector in home furnishings, upholstery, workwear, outdoor and the automotive market while continuing its focus on military efforts. Through development into these sectors, Alexium has expanded research and development from our initial markets in textiles and military to specialty surface technologies including: plastics, resins, films, adhesives and FR filaments.

This near-term focus is balanced and guided by long-term innovation and business strategies that will address future trends and create future commercial opportunities. Alexium's strategy is to continue expansion and the development of environmentally-friendly FR alternatives, as topical finishes or polymer additives.

To demonstrate the desired performance on both laboratory as well as production level product, Alexium has maintained an operation in Greer, South Carolina. With this infrastructure and by teaming with development partners, Alexium has focused on creating production ready technologies. Via commercial development and license agreements, Alexium continued to validate and transition the technology to product manufacturers. Alexium is beginning to significantly grow revenues by entering into collaborative agreements with companies such as iTextiles who have a global presence in the European and Middle East markets.

Staff and Organization

Throughout 2015, Alexium identified several opportunities to add to our workforce with the addition of several key roles. In April of 2015, we on-boarded two senior leaders to fill the positions of Vice President of Sales and Vice President of Product Development. We recognized that in order for us to continue our growth at a rapid pace, we needed more structure and stability around our Sales and Product Development departments. Over the past several months we have observed these departments improve in a variety of ways including individual and team productivity as well as enhanced cross-functional communication. In addition, Alexium expanded the role of Vice President of Finance to Chief Financial Officer to accommodate Alexium's significant growth in revenue projected for 2015-2016.

In July and August of 2015, Alexium identified additional opportunities to expand our team by adding the addition of a Human Resources Manager and fulfilling the Marketing Specialist role. Most recently, we re-designed our website to improve the experience for both our customers and our shareholders. Since incorporating the functional expertise of Human Resources, our business has seen several positive changes as it relates to staffing management. Previously Alexium relied primarily on outplacement firms to recruit top-talent, but by bringing our recruitment efforts in-house, we expect to realize significant cost savings in both the near and long terms.

As new business development opportunities continued to increase, we recognized a need to add to our technical team. In the fall of 2015, we on-boarded several chemists in both the Product Development and Research and Development departments. These staff additions have been critical to our ability to produce high quality solutions for our customers while also meeting tight deadlines.

Along with this expansion, Alexium added a General Manager of Operations and Growth to gather key functions (i.e. logistics, quality assurance, manufacturing coordination, purchasing and supply chain management) into a single department as well as coordinating the combined efforts of Sales and Product Development with the Operations center to maximize the efficiency and speed of Alexium's growth.

As we continue to expand our portfolio of offerings, we anticipate a need for more employees in order to effectively meet the increasing number of customers. Alexium has increased staff by 11 associates in the course of 3 quarters.

Alexium Chemistries

Alexium has focused on specific applications where its specialty chemicals solutions can clearly enable new value-added products. The commercial roll-out of existing FR treatments and developing other environmentally-friendly FR solutions represent the largest commercial opportunity for Alexium. In this area, the Group has the Alexiflam technology (flame retardant treatment for polyester products), Alexiflam NF (flame retardant treatment for cotton and wool blends), the Alexiflam SYN technology (flame retardant treatment for nylon/cotton blends) and the Alexiflam SYN-FILL technology (flame retardant treatment for non-textile application). Therefore, near-term, the Group is focused on extending these existing technologies to quickly address market needs and generate revenues.

Intellectual Property Position

Alexium has continually grown its intellectual property portfolio now reaching over 20 patents and patent applications in 9 different countries. Alexium continues its constant effort into expanding the company's lock on relevant IP by having an overlapping and complimentary patent library.

During 2015, Alexium filed one provisional application in the US, one non-provisional application in the US, and three non-provisional applications in other regions (including PCT). A patent application that falls under Alexium's license with the United States Air Force (USAF) for low energy microwave applications for non FR surface treatments has also been granted this year. Additionally, Alexium has reconstructed the Alexium patent portfolio uniformly under the Alexium Inc. name in the United States.

Revenue Growth

With Alexium's continued success, it is now customer driven by relying less on grant income as we have seen a significant growth in our receipts from customers and a stabilization in grant opportunities over the past year. The largest growth was apparent between Q4 2015 to Q1 2016 with an increase from \$3,000 to \$369,000 in customer receipts. Because of this growth, Alexium is now able to support itself with direct customer revenue. Going forward, the receipts from our customers will continue to rise and we will use grant income for research and new technologies.

Increased year on year cash revenues from customers and grantors from \$256k to \$400k representing a 56% growth during the 2015 year. During the quarter ended 30 September 2015, quarterly cash revenues from customers and grantors, including purchase orders and commitments received leading up to September Appendix 4C, increased from \$49k to \$1.275 million representing a 2502% growth compared to same period last year.

OPERATIONS/OPPORTUNITY PIPELINE

Military/Government Relations

- Murdock Webbing announces Alexium as new provider of FR Chemistry
- US Department of Defense (DoD) selects Alexium as Key Partner for New Fire Retardant Uniform Fabric

This has been a big year for Alexium in relation to our Military efforts and government relations. Alexium has completed and delivered on stage one- Environmentally-Friendly FR Nylon-Cotton (NyCo) Fabric to Natick for down select testing; Natick (US Army Soldier Systems Center) selected Alexium to proceed to second stage of development of non-inherent FR 50/50 NyCo Uniforms during the month of August and in October Alexium was selected as the FR Sub Contractor for the US Army.

During this time our CEO, Nick Clark met with key officials on Capitol Hill to push legislation and encourage the deployment of safer and fire-retardant durable uniforms for all military personnel.

Alexium has also been working with a new defense sector customer for advanced textiles comprising exotic materials for specific defense sector applications. Along with this initiative, Alexium received a new purchase order from a client to advance progress in the Defense Sector.

One of our biggest achievements over the last quarter has been a selection from the US Department of Defense (DoD) for Alexium as Key Partner for New Fire Retardant Uniform Fabric. Alexium continues to push

boundaries within military fabric finishing by also supplying solutions for Nylon, Cotton, Polyester, and blends for use in tents, backpacks, uniforms, tactical gear, and accessories. A large PO was received through significant and new technology that is applied to strapping and webbing and has gained our newest customer, Murdock Webbing, as a provider of Alexium FR treated goods.

Home Furnishings/Bedding

Our first commercial success has come from the home furnishings area. We have partnered with a major bedding supplier to provide FR treatment for fabrics used for top of the line mattresses. Throughout the development of this treatment with our customer, our Product Development group has worked closely with the fabric source to make sure our chemistry is compatible with all other components. The result has been not only to get us to the point of receiving regular production purchase orders, but to tackle other problems experienced by the fabric source.

The collaboration gave rise to our newest product, Alexiflam Crockban. One of the biggest problem for a mattress showroom is soiling of mattresses through dirt and dye transfer as prospective customers try out mattresses by laying on them. Alexiflam Crockban greatly reduces the amount of soiling and dye transfer, thus keeping mattresses cleaner in the showrooms. Also, our Product Development group has helped a major fabric supplier successfully treat a high content polypropylene fabric. These fabrics are very difficult to treat and the Alexiflam FR product is helping pass the CFR 1633 bed burn with this polypropylene fabric. We will see increased Alexiflam FR orders before year end to support this expansion of business.

In another area of protection for mattresses, we are expecting to run plant trials on knitted materials to create "FR socks". These socks are the predominant method of protecting a foam mattress. The memory foam mattress has taken an increasing amount of total mattress market share. The current product contains modacrylic and antimony that is being scrutinized by regulators. We continue to work with a large commission finisher to fine tune formulations using the environmentally friendly Alexiflam FR product. We expect to see orders and co-branding after the first of the year. Another area of focus is in the drapery market. Plant trials will be run this month for a new drapery customer.

Automotive/Transportation

We have run successful plant trials in Europe through our partner iTextiles. Test results have just been received showing our treatment passing all requirements on their main line of fabrics. Additional orders for chemistry are expected soon as they scale up for full production. As mentioned earlier, we are progressing with our search for overseas production to support the European and Asian market area. Domestically, we have run several plant trials at 2 key domestic automotive suppliers. In addition, we are working with a supplier of airplane carpeting on treating their products.

Outdoor Fabrics

Our collaboration with a tent manufacturer is nearing selection of a processing plant in Asia. All tests and lab work is complete and we stand ready to ship chemistry. One of the largest outdoor retailers has reached out to us to work with them for FR treatment of their tent fabrics. Product development has continued to work on a soak durable treatment for cotton tenting. We have fabric on order to run plant trials when the formulation

is complete. There are at least 3 potential customers waiting for this product to be finalized for their use in bidding for United Nations emergency and refugee tent supplies.

Workwear

Recent developments in the military have shown that our NYCO fabrics pass the NFP 2112 body burn required for many workwear applications. We have trials scheduled through our iTextiles partners both in Poly Cotton and NYCO overseas to address this large opportunity.

Resins, Plastics and Films

Our efforts developing an FR treated PET film are starting to pay off, we expect orders for production imminently as the customer have tested the scale up successfully. This initial effort outside of the textiles arena will be a bright star in our future. We have also successfully treated a fiber master batch with Alexiflam SYN and spun yarn from this batch. The yarn will be used to weave fabric for testing. Our product has the ability to be scalable which differentiates us in the market. Although a longer term project, we see the possibility for a new line of inherently treated FR yarns and fibers.

Recently we began working with a resin provider to the **electronics industry**, Lab scale trials show extremely good results and we have received a first Purchase Order for plant trials.

Another customer has shown interest in our Alexiflam Syn chemistry for addition in their resin products that go into the **construction industry**.

In general, our efforts in multiple markets are paying off. As we continue to attend and exhibit at trade shows, customers are beginning to seek us out. Our branding and marketing efforts are succeeding. Our products are being discussed at trade groups such as AATCC and NCTO. We are represented on and participating in several industry committees dealing with FR issues. We are now sought after for views in the Fire Retardant world.

Future Snapshot

Alexium will continue to focus on our core technologies for textiles and will use those strengths to propel us into additional sectors and geographical regions. Using our expertise in coating chemistries, we will continue to excel and grow in our current markets as well as expand into the plastics, resins and composite markets. Alexium is on rapid pace to establish overseas manufacturing capabilities to accommodate our European and Asian customers.

Alexium is positioning to be a major player in Flame Retardant Chemistry markets and a recognized leader in FR technology and environmental stewardship. We intend to be a major force in every market sector we serve and have established the foundation and mechanism to drive us to that end.

Nicholas Clark

CEO

Timeline of Press Releases

- **January 2015**
 - Independent Market Analysis of Global Flame Retardant Chemistry Market Validates Potential of Alexium;
 - MarketsandMarkets analysis reported chemical flame retardant market will increase CAGR of 5.7% per year, rising to \$10 billion by 2019
 - Alexium commences first significant commercial sector account;
- **February 2015**
 - Alexium lands second commercial sector account in the cotton and wool sector;
 - Alexium completes and delivers on stage one- Environmentally-Friendly FR Nylon-Cotton (NyCo) Fabric to Natick for down select testing;
 - Alexium passes (TB-117-2003)
- **March 2015**
 - President Obama announces Institute for Manufacturing innovation in revolutionary fibers and textiles;
 - Alexium completes exclusive negotiations on new account;
 - Alexium releases Fosters Stockbroking report;
- **April 2015**
 - Alexium increases key staff positions to meet marketplace demand for Alexium FR Chemistry;
 - US Brigadier General Stephen Cheney USMC (ret) joins Alexium Board as Non-Executive Director;
 - CEO Meets with Key Officials on Capitol Hill;
 - Natick (US Army Solider Systems Center) selects Alexium to proceed to second stage of development of non-inherent FR 50/50 NyCo Uniforms;
- **May 2015**
 - Alexium expands Outdoor Market into Asia;
 - Alexium receives PO and commences work with new client in the home furnishings market;
 - Alexium increases global customer base at Techtexil Show in Frankfurt;
 - New Defense sector customer for advanced textiles comprising exotic materials for specific defense sector applications;
- **June 2015**
 - New European Client in Transportation market commences work;
 - Negotiation advances to co-branding and licensing agreement; US-Based Large Commission finishing customer in Home Furnishings Sector;
 - New Purchase Order/Client Advances progress in the Defense Sector;
- **July 2015**
 - iTextiles and Alexium formally commence sales and distribution partnership;
 - Work commences on outdoor industrial fabric market with PO;
 - Alexium appoints Grant Thornton as Auditors;
- **August 2015**
 - Purchase order received for second military scale up;
 - Alexium invited to present as emerging technology at Jefferies Industrial Conference in NY;
 - Major Bedding customer increases orders with Alexium;

- Alexium expands staff in key roles;
- Alexium receives further purchase orders by Major Bedding Client;
- Alexium invited as cutting edge innovators to attend key military conference- Defense Innovation Days;
- **September 2015**
 - Key staff added for 2016 growth strategy;
 - Murdock Webbing announces Alexium as new provider of FR Chemistry;
 - First Full Large Scale Production Order Received from Major Bedding Customer;
- **October 2015**
 - Alexium Exhibits at Industrial Fabrics Association International (IFAI) Expo Conference;
 - Alexium Capitalizes on Growing FR Industry Brand Recognition;
 - PO Received in New Market (Plastics) Ahead of Schedule;
 - Alexium Wins New Client with Second Major Bedding Brand;
 - Grant Extension Awarded with Israel Chemicals LTD (ICL)
 - US Department of Defense (DoD) selects Alexium as Key Partner for New Fire Retardant Uniform Fabric
 - Confirmation of Confidential Filing Registration Statement

Highlights for the Year Broken Down by Segment

- **New Accounts PO**
 - Alexium commences first significant commercial sector account; (Jan)
 - Alexium lands second commercial sector account in the cotton and wool sector;
 - Alexium completes exclusive negotiations on new account;
 - Alexium expands Outdoor Market into Asia;
 - Alexium receives PO and commences work with new client in the home furnishings market;
 - Alexium increases global customer base at Techtextil Show in Frankfurt;
 - New European Client in Transportation market commences work;
 - Negotiation advances to co-branding and licensing agreement; US-Based Large Commission finishing customer in Home Furnishings Sector;
 - iTextiles and Alexium formally commence sales and distribution partnership;
 - Work commences on outdoor industrial fabric market with PO;
 - Purchase order received for second military scale up;
 - Major Bedding customer increases orders with Alexium;
 - Alexium receives further purchase orders by Major Bedding Client;
 - First Full Large Scale Production Order Received from Major Bedding Customer;
 - PO Received in New Market (Plastics) Ahead of Schedule;
 - Alexium Wins New Client with Second Major Bedding Brand;
 - Grant Extension Awarded with Israel Chemicals LTD (ICL);
- **Brand Recognition/Technology Announcements**
 - Alexium invited to present as emerging technology at Jefferies Industrial Conference in NY;
 - Alexium invited as cutting edge innovators to attend key military conference- Defense Innovation Days;

- Alexium Exhibits at Industrial Fabrics Association International (IFAI) Expo Conference;
- Alexium Capitalizes on Growing FR Industry Brand Recognition;
- Alexium Completes PyroMan™ on full FR NyCo Uniforms Treated with Alexiflam Technology;
- **New Staff/Board/Corporate Development**
 - Alexium increases key staff positions to meet marketplace demand for Alexium FR Chemistry; (April)
 - US Brigadier General Stephen Cheney USMC (ret) joins Alexium Board as Non-Executive Director;
 - Alexium appoints Grant Thornton as Auditors;
 - Alexium expands staff in key roles; (Aug)
 - Key staff added for 2016 growth strategy; (Sept)
 - Confirmation of Confidential Filing Registration Statement;
- **Market Research**
 - Independent Market Analysis of Global Flame Retardant Chemistry Market Validates Potential of Alexium;
 - MarketsandMarkets analysis reported chemical flame retardant market will increase CAGR of 5.7% per year, rising to \$10 billion by 2019
 - President Obama announces Institute for Manufacturing innovation in revolutionary fibers and textiles;
 - Alexium releases Fosters Stockbroking report;
- **Military/Government**
 - Alexium completes and delivers on stage one- Environmentally-Friendly FR Nylon-Cotton (NyCo) Fabric to Natick for down select testing;
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 - Natick (US Army Solider Systems Center) selects Alexium to proceed to second stage of development of non-inherent FR 50/50 NyCo Uniforms;
 - New Defense sector customer for advanced textiles comprising exotic materials for specific defense sector applications;
 - New Purchase Order/Client Advances progress in the Defense Sector;
 - US Department of Defense (DoD) selects Alexium as Key Partner for New Fire Retardant Uniform Fabric;
 - Murdock Webbing announces Alexium as new provider of FR Chemistry;
- **Chemistry**
 - Alexium passes (TB-117-2003);
 - Alexium releases Alexiflam SYN-FILL for the plastics and resins market;

For more information, please visit Alexium's website at www.alexiuminternational.com

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About Alexium

Alexium International Group Limited (ASX: AJX, AX:AJX OTC QX: AXXIY) holds proprietary patent applications 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, paints, and packaging, glass and building materials. Alexium's fire retardant chemical treatment are currently marketed for different fabric markets under the Alexiflam™, Ascalon™, Nycolon™, Nuvalon™, and Polytron™, Omnitron™ and Bactron™ trademarks.

