



Tuesday 11th February 2014

Dear Shareholder,

Alexium International Group Limited – Share Purchase Plan

On behalf of the Board, I am pleased to offer you the opportunity to apply for up to \$15,000 New Shares in your Company, Alexium International, under the Share Purchase Plan.

The offer will open on Friday 14 February 2014 and will remain open until 5 March 2014.

The offer Price is 15 cents per new share, being the same price as the successful placement raising \$3.75 Million just completed by your Company. Participation in the offer is optional and is only open to Eligible Shareholders who are holders of shares in Alexium.

The funds raised from the Placement and the Share Purchase Plan will be applied towards growing our sales capability and increasing our laboratory and sample production facility to accommodate rising demand for our patented, environmentally friendly, cost effective and high performance fire retardant textile and chemical and biological protection products.

To meet the increasing demand, Alexium has also increased its staffing in business development, sales and marketing and after sales service.

Full details of the offer and how to participate are contained in the terms and conditions of this document, which I encourage you to read. If you have any questions in relation to the Offer or how to complete the Application Form, please contact the company at www.alexiuminternational.com or via email bflemming@alexiuminternational.com, or consult your advisor.

Thank you for your continued support of Alexium.

A handwritten signature in black ink, appearing to read 'Gavin R.' with a stylized flourish at the end.

Gavin Rezos
Executive Chairman

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Invitation to Participate in Share Purchase Plan

On 4th February 2014, Alexium International Group Ltd ACN 064 820 408 (**Alexium** or **Company**) announced the offer to eligible shareholders of Alexium the opportunity to participate in a Share Purchase Plan (**Plan**) to raise up to \$1,000,000 on the terms and conditions (**Terms and Conditions**) enclosed with this letter (**Announcement**).

The Plan gives Eligible Shareholders the opportunity to purchase up to \$15,000 of fully paid ordinary shares in Alexium (**Shares**) at a discount, irrespective of the size of their shareholding, without incurring brokerage or transaction costs.

Shareholders Eligible to Participate in the Plan

The right to participate in the offer under the Plan is optional and is available exclusively to shareholders who are registered as holders of Shares at 7:00pm (Sydney time) on the Record Date of 3rd February 2014 and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

Share Purchase Plan

The Plan entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of Shares priced at a discount of approximately 16.5% of the average market price for the Shares over the last 5 days on which sales in the shares were recorded before the day on which the issue was announced being 4th February 2014 (**Price**).

The VWAP of Shares traded on the ASX during the 5 trading days immediately prior to the announcement date of the Offer was approximately \$0.1795 (17.95 cents).

The Plan is intended to raise \$1,000,000 and entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of Shares at the Price per Share (**Offer**).

Alexium may, in its absolute discretion, undertake a Scaleback. Scale back decisions are made by the Board and are final.

The directors of Alexium who are eligible shareholders intend to participate under the Share Purchase Plan.

An outline of the Plan is set out in this letter and the enclosed Terms and Conditions. An application form for the Plan (**Application Form**) and reply paid envelope are included in this package.

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Current Activities

Details of Alexium's current activities are set out in the announcements made by Alexium to the ASX and are available from the ASX, or Alexium's website at www.alexiuminternational.com.

While microwave curing and RST technology remain a capability and ongoing activity, Alexium over the last year successfully completed a shift to more lucrative opportunities, developing specialty flame retardant chemicals packages to address large market gaps in the textiles industry. Alexium's business model now emphasises chemical sales and preserving high margins. This sales push is supported with branding, partnering, and a supply chain strategies – to build and retain customers in the textile markets.

Over the last 6 months, in addition to Ascalon™, Alexium successfully launched three additional flame retardant products: Nycolon®, a halogen-free treatment for nylon-cotton fabrics, designed to address a 25Mil+ yard market for the US and other foreign militaries, and industrial workwear markets. Nuvalon®, a halogen-free treatment for polyester-cotton fabrics in the apparel market several times larger than nylon-cotton. And Polytron™, a halogen-free treatment for a large contract and upholstery fabrics. All the products offer users a cost and performance advantage and have thus been received very well in the textile market.

Alexium has booked initial sales for Nycolon®, Nuvalon®, and Polytron™ and is entering production trials leading to firm supply agreements. Key agreements to date include Duro, Euroflam and itextiles – as users and/or indent agents to fabric mills.

While much emphasis is now being placed on successful customer production trials, chemical supply and logistics, and negotiating supply agreements, Alexium continues to develop new product extensions and novel products for industry – offering halogen-free, novel, and effective solutions. Alexium's IP portfolio is expanding significantly.

Alexium has begun to establish global partnerships to distribute the chemicals to fabric mills around the globe and will continue to expand these sales and product roll-out activities to cover global demand for its products.

The funds raised under the SPP will be predominantly used to: increase staff and resources being applied to the various FR/RST product pipelines; upgrade and expand existing laboratories; allow the Company to expand the number of third parties they can negotiate with in regard to additional contract/license agreements in new materials/products; to strengthen the balance sheet and for general working capital purposes.

How much can you invest?

Eligible Shareholders may apply for a maximum of \$15,000 worth of Shares under the Plan.

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Subscription and Application Procedure

If you would like to participate in the Offer, you can either:

- complete the enclosed Application Form and send it together with your payment by cheque made payable to "Alexium" and drawn in Australian to be received by the share registry no later than 5:00pm (AEST) on the **Closing Date of Wednesday 5th March 2014**. No late applications will be accepted.
- Or, make a BPAY^{®1} payment from your cheque or savings account by using the Biller Code and Reference Number shown on your Application Form which is required to identify your holding. If you have multiple holdings you will have multiple BPAY Reference Numbers. To ensure you receive your Shares under the Offer in respect of that holding you must use the specific Biller Code and Reference Number shown on each personalised Application Form when paying for any Shares that you may wish to apply for in respect of that holding.
- If you inadvertently use the same Reference Number for more than one of your applications, you will be deemed to have applied only for that application to which that Reference Number applies and any excess amount will be refunded. **If you make your payment using BPAY you do not need to return your Application Form.** New Zealand holders will not be able to make a payment using BPAY. Payments made by BPAY received after **5:00pm (AEST) on Wednesday 5th March 2014 will not be accepted**. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

Applicants should not forward cash and direct bank transfers are not permitted.

¹ ® Registered to BPAY Pty Ltd, ABN 69 079 137 518

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Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the Plan:

	Total amount payable	Number of Shares which may be purchased
Offer A	\$15,000	100,000
Offer B	\$10,000	66,666
Offer C	\$5,000	33,333
Offer D	\$2,500	16,666
Offer E	\$1,000	6,666

The final purchase price of the Offer is \$0.15 per Share. The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have elected by the purchase price per Share, rounded down.

Once an application has been made it cannot be revoked. All valid applications shall be deemed accepted if received before the **Closing Date of Wednesday 5th March 2014**. If the exact amount of money is not tendered with your application, Alexium reserves the right to either:

- (i) return your Application Form and/or payment and not allot any Shares to you; or
- (ii) allot to you the number of Shares that would have been allotted had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application money to you by cheque as soon as possible, without interest.

The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account). It is the responsibility of the applicant to ensure that the aggregate of the application price paid for the Shares the subject of the application and any other shares and interests in the class applied for by you under the Plan or any similar arrangement in the 12 months prior to the date of submission does not exceed \$15,000.

Custodians and Nominees

Eligible Shareholders who hold Shares as Custodian or Nominee (**Custodian**) for one or more persons on the Record Date (**Beneficiary**) may apply for up to a maximum amount of A\$15,000 worth of Shares in respect of each Beneficiary who is resident in Australia or New Zealand, subject to providing a Custodian Certificate to Alexium, as described in the Terms and Conditions enclosed with this letter. Please refer to the Terms and Conditions for more details.

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Acceptance of Risk Factors

On the last trading day immediately prior to the announcement date of the Offer, the closing price of the Shares traded on ASX was A\$0.175. The market price of Shares in Alexium may rise and fall between the date of the Offer and the date that any Shares are issued to you as a result of your application under this Offer.

By making an application under this Offer and applying for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the purchase Price is at a discount, Shares are a speculative investment and the price of Shares on ASX may change between the date of Alexium announcing its intention to make an Offer and the date of issue of Shares under that Offer and that the value of the Shares received under the Plan may rise or fall accordingly.

The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in Alexium prior to making an application under this Offer.

Additional Information and Important Dates

The offer of Shares under the Plan is made in accordance with ASIC Class Order 09/425 and therefore does not require a prospectus for the purposes of Chapter 6D of the Corporations Act (2001) (Cth).

The Offer cannot be transferred and the Directors of Alexium reserve the right in their absolute discretion to reject, or scale back, on an equitable basis, any application. Shares allotted under the Plan will be issued no later than 10 business days after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum amount proposed to be raised under the Offer is \$1,000,000. Alexium, however, reserves absolute discretion regarding the final amount raised under the Plan, subject to the ASX Listing Rules.

In the event of oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back applications on an equitable basis. Scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions.

If Alexium rejects or scales-back an application or purported application, Alexium will promptly return to the shareholder the relevant application monies, without interest.

Broker fees

A handling fee equal to 2.0% of the application amount (plus GST) of new shares issued under the SPP will be paid to stockbrokers (being those entities listed as full service brokers or non-advisory brokers by ASX) who submit a valid claim for a broker handling fee on valid applications.

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Foreign offer restrictions

This document may not be released or distributed in any country other than Australia and New Zealand. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any other country. In particular, any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

New Zealand Shareholders

The Shares offered under the Plan are not being offered or sold to the public within New Zealand other than to existing shareholders of Alexium with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Shortfall Placement

In the event that less than \$1,000,000 is applied for, the full amount of the shortfall may be placed at the discretion of the Board subject to compliance with the necessary legal requirements.

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Indicative Timetable

Record Date for Share Purchase Plan	Monday 3rd February 2014
Announce Share Purchase Plan	Tuesday 4th February 2014
Appendix 3B lodged for Placement Section 708A "Cleansing Notice" lodged with ASX	Tuesday 11th February 2014
Dispatch Share Purchase Plan booklet to shareholders and release Offer Letter on the ASX	Tuesday 11th February 2014
Share Purchase Plan Opens	Friday 14th February 2014
Closing date for Share Purchase Plan	Wednesday March 5th 2014
Lodge Appendix 3B for Share Purchase Plan, Issue of new shares under the Share Purchase Plan	Wednesday 12th March 2014
Quotation on ASX of new shares under the Share Purchase Plan	Thursday 13th March 2014

These dates are indicative only. Alexium may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Application Forms as early as possible.

Should you wish to discuss any information contained in this letter further, do not hesitate to contact Alexium's Executive Director, Nicholas Clark, on (+1) 864-991-6687 or email nclark@alexiuminternational.com.au

Yours faithfully

Gavin Rezos
Executive Chairman
Alexium International Group Ltd

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Alexium International Group Ltd
ACN 064 820 408

Shareholder Share Purchase Plan - Terms and Conditions

Purpose

The purpose of the Shareholder Share Purchase Plan (**the Plan**) is to offer shareholders of Alexium International Group Ltd ACN 064 820 408 (**Alexium** or **the Company**) the opportunity to acquire additional fully paid ordinary shares in Alexium (**Alexium Shares**) up to a maximum of \$15,000 (when combined with any shares issued under any share purchase plan in the 12 months preceding the date of the Plan). The issue price under the Plan will be at a discount of 16.5% to the average market price for Alexium Shares over the last 5 days on which sales in the shares were recorded on the financial market operated by ASX Limited (**ASX**) before the day on which the issue was announced being the 4th February 2014. Alexium Shares will also be issued without the need to pay brokerage costs and without the need for Alexium to issue a Prospectus. The Plan is governed upon such terms and conditions as the board of directors of Alexium, in its absolute discretion, sees fit.

Shareholders Eligible to Participate

Holders of Alexium's Shares that are registered with an Australian or New Zealand address at the relevant record date are eligible shareholders (**Eligible Shareholders**) and may participate in the Plan, unless such registered shareholder holds shares on behalf of another person who resides outside Australia or New Zealand. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these Terms and Conditions. Offers made under the Plan are non-renounceable (i.e. Eligible Shareholders may not transfer their rights to any Alexium Shares offered under the Plan). Eligible Shareholders who wish to take up Alexium Shares issued under the Plan agree to be bound by Alexium's constitution in respect of Alexium Shares issued under the Plan.

An offer may, at the discretion of the directors of Alexium (**Directors**), be made under the Plan once a year. The maximum amount which any shareholder may subscribe for in any consecutive 12 month period is \$15,000. The Directors may also determine in their discretion the minimum amount for participation, the multiple of Company Shares to be offered under the Plan and the period the offer is available to Eligible Shareholders.

Custodians, trustees and nominees

If you are an Eligible Shareholder and hold Alexium Shares as a custodian (as defined in ASIC Class Order [CO 09/425] (refer below) (**Custodian**) or in any more specific ASIC relief granted to Alexium in relation to the Plan), you may apply for up to the maximum of new Shares for each beneficiary

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for whom you act as custodian provided you annexe to your Application Form a certificate to Alexium (**Custodian Certificate**) with the following information:

- that you held Alexium Shares on behalf of one or more other persons who are resident in Australia or New Zealand (each a **Participating Beneficiary**) at 3rd February 2014 who have subsequently instructed you to apply for Shares under the Plan on their behalf;
- the number of Participating Beneficiaries and their names and addresses;
- the number of Shares that you hold on behalf of each Participating Beneficiary;
- the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
- that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other Alexium Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$15,000;
- that a copy of the written offer document was given to each beneficiary; and
- where you hold shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.

For the purposes of ASIC Class Order [CO 09/425] you are a 'custodian' if you are a registered holder that:

- holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- is exempt from holding an Australian financial services licence by virtue of Class Order [CO 03/184] or by relying on the Australian financial services licence of your master custodian under regulation 7.1.06(k) of the Corporations Regulations 2001;
- is a trustee of a self managed superannuation fund;
- is a trustee of superannuation master trusts;
- is a responsible entity of IDPS like schemes;
- is noted on Alexium's register of members as holding the shares on account of another person.

If you hold Alexium Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Alexium reserves the right to reject any application for Alexium Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements. Alexium reserves the right to reject applications in accordance with these Terms and Conditions.

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Price of Alexium Shares

The price of Alexium Shares to be issued under the Plan will be \$0.15 per Shares which is a discount of approximately 16.5% of the average market price for the shares over the last 5 days on which sales in the shares were recorded before the day on which the issue was announced.

Applications and Notices

At the discretion of the Directors, Alexium will send Eligible Shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Alexium Shares under the Plan, and accompanied by these Terms and Conditions of the Plan and an Application Form. Applications will not be accepted after the closing date of the offer. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by Alexium to participants may be given in any manner prescribed by its Constitution.

Placement of Shortfall

Any shortfall from the Offer may be placed at the discretion of the Directors.

Issue of Alexium Shares

Alexium Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of Alexium in the relevant offer.

Alexium Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in Alexium from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all Alexium Shares issued under the Plan. Alexium will, promptly after the issue of Alexium Shares under the Plan, make application for those Alexium Shares to be listed for quotation on the official list of ASX.

Modification and Termination of the Plan

Alexium may modify or terminate the Plan at any time. Alexium will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, Alexium may issue to any person fewer Company Shares than the person applied for under the Plan if the issue of Alexium Shares applied for would contravene any applicable law or the Listing Rules of ASX.

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Raising Amount and Scale back

Alexium seeks to raise approximately \$1,000,000. In the event of an oversubscription by the closing date the Directors may, in their absolute discretion, scale-back all applications on an equitable basis. If Alexium rejects or scales-back an application or purported application, Alexium will promptly return to the shareholder the relevant application monies, without interest.

Dispute Resolution

Alexium may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Alexium Shares. The decision of Alexium in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

Alexium reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of Alexium under these conditions may be exercised by the directors of Alexium or any delegate of the directors of Alexium.

Questions and Contact Details

If you have any questions regarding the Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Nicholas Clark, CEO and Executive Director at nclark@alexiuminternational.com.au

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