

Announcements

Award Grant from SCRA/Israel Collaborative R&D Program

Updated Research Report by Baker and Young Stockbrokers

Key Commercial FR Sales in the US

Tour of Alexium Facility by South Carolina Congressman

Alexium and iTextiles Agree to Co-Brand

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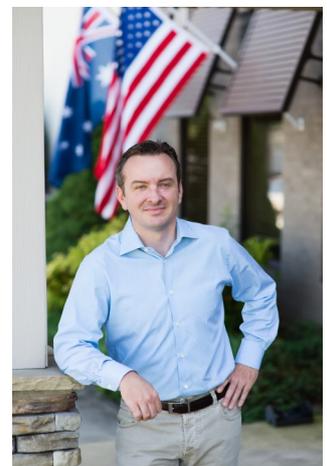
Message from the CEO

The past several weeks at Alexium have been filled with exciting news, including the announcement that we have received a \$250,000 grant from the South Carolina/Israel Collaborative Industry R&D program to develop FR chemicals and treatment packages with ICL, Inc., an Israeli chemical company. The news of this grant arrived shortly before we announced that a major US automotive interiors group wanted to conduct a commercial production run of our chemistry at their facilities. This opportunity marked the first customer-led validation of Alexium chemistry in the U.S., and we hope this experience will lead to other trials from similar companies in industries that are switching to environmentally friendly FR treatments.

We also had a very successful visit from U.S. Representative Trey Gowdy. He was impressed with our facilities and the work we have done to create environmentally friendly flame retardant chemicals, and he was glad to see such enthusiasm and dedication from our team. His support for Alexium could lead to important connections in the markets we are pursuing.

Alexium has also announced our co-branding agreement with iTextiles, who will be creating several fabrics used in the workwear industry. We will then treat these fabrics with our chemistry, and we will sell the product under a brand name that represents quality and sustainability. This opportunity should lead to sales in the European and Middle Eastern workwear markets.

We are actively pursuing several different avenues to get our products into the markets, and I'm impressed with the way customers have responded to these products and our team.



Business Development and Sales

The sales team has continued to focus on the faster-moving markets of upholstery and transportation while still pursuing the longer-lead opportunities, including workwear and military applications. Through this strategy, we have also begun to identify those markets that need environmentally friendly FR treatments now due to changes in legislation. These opportunities include the transportation seating and carpet markets that combined are worth around 60 million yards of fabric annually. Our co-branding endeavor with iTextiles is also going to help penetrate the European workwear market, which is worth around 100 million yards of fabric per year.



In September, our sales team attended the MoOD Conference in Brussels which led to a dozen new leads that we are currently engaging with. These are mostly companies in the European decorative fabrics market, which purchases a large amount of flame retardant chemistries, second only to European workwear. At the MoOD conference, we were also able to meet customers of our UK partner Euroflam and establish a clear development pipeline that should quickly lead to commercial sales.

We have also finished preparations for the IFAI tradeshow in Minneapolis, MN, from October 14-16. We have set up meetings with key targets and will display products, including our new wool treatment. The other goal of this exhibition is to establish Alexium as a reliable company for FR technologies. This show will lead to many prospects in the fast moving markets we are pursuing.

New Product Announcement

From the beginning, Alexium has focused on developing chemistries and applications that provide innovative solutions to meet gaps in a given market. To accomplish this, an integral part of our work is to understand what the market needs and doesn't need. The recurring feedback we receive is the need for FR products that provide 1) effective flame retardancy, 2) non-complex application methods, and 3) reasonable costs. Generally easier said than done!



New Product Announcement Continued

However, recent work from Alexium laboratories has made significant advancement. Over the past 2-3 years, we have gained great insight into the effectiveness of various flame retardants for natural and synthetic fibers; with this, we have found certain combinations of these give especially effective FR formulations. Our new product builds on this knowledge and integrates these into a single, novel compound tentatively called "MP3." This product is a halogen-free, phosphorous-based flame retardant that is not supplied/manufactured by others in the flame retardant market. MP3 provides a number of valuable properties, including the following:

- High phosphorous content
- Crosslinkable reactive groups to provide a durable finish
- Applied in aqueous solutions
- Promotes char formation in range of synthetic/natural fibers

While we developed MP3 as an FR additive for cotton-rich fabrics, we are finding that it has broader applications, particularly for wool-based products. In the coming months, we will study MP3 further to determine everywhere it can be used. This is an exciting discovery that we look forward to bringing into the market.

Product Commercialization Updates

For much of 2014, development of the Alexiflam chemistry centered around a 50/50 nylon-cotton (NyCo) fabric commonly used in the military Flame Retardant Army Combat Uniform (FRACU). This month, in addition to progress in markets such as outdoor fabrics, upholstery and transportation markets, major strides were made towards realizing a potential product for the FRACU program. Alexium has sampled fabric directly to the Army Natick Soldier Systems Center (Natick) and had overwhelmingly positive feedback about the performance of Alexium chemistry on the 50/50 NyCo fabrics we submitted. In addition, we have had productive talks with potential fabric/garment manufacturers concerning potential partnerships to attack the FRACU program—which, as the largest program in the U.S. Military, accounts for between two and four million yards of fabric sales per year—in a holistic fashion, starting from fabric design and incorporating Alexium chemistry. This is a major new push on multiple fronts for Alexium into the military market.



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Product Commercialization Updates Continued

Also, this month Alexium successfully passed critical lab-scale performance criteria for several different customers in the transportation market, primarily flame retardancy, hand/drape, smoke, and toxicity. All of these opportunities are using a new Alexium chemistry developed specifically for wool and wool-blend fabrics. These customers have agreed to purchase Alexium chemistry to move to the next stage of the development cycle, which is to run full-scale trials at Alexium's customers' facilities. A successful scale-up process for any of these customers would result in revenue generation for Alexium.



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