

9 December 2014

Mr Dale Allen  
ASX Limited  
Level 40 Central Park  
152 – 158 St Gorges Terrace  
PERTH WA 6000

Dear Mr Allen

**ALEXIUM INTERNATIONAL GROUP LIMITED**

I refer to your letter dated 8 December 2014 in regard to the change in the price and volume of the Company's securities from 1 December 2014 to 8 December 2014.

Using the numbering outlined in your letter, Alexium International Group Limited (**Entity**) responds to the questions outlined in your correspondence as follows:

1. On Friday, 5 December 2014, after the close of the Market, the Entity received notification of the invitation to participate in a program to deliver an improved Flame Resistant Army Combat Uniform to the US military for which it will receive a \$50,000 grant to provide fabrics for its initial participation in the program. For the reasons outlined below, the Entity does not consider that this information, by itself, is information that would explain the recent trading in the Entity's securities.
2. In relation to question 2, the Entity responds:
  - (a) The Entity considers that the ongoing discussions with the United States Department of Defence are the continuation of discussions between the Entity and the relevant representatives of the US Government which have previously been announced by the Entity and the review of the Entity's products at the Industry Day at the Natick Soldier Research, Development and Engineering Center in Natick, Massachusetts (announced to ASX on 26 June 2014). In addition, the Company announced on 21 October 2014 the visit of US Senator Lindsey Graham to the Entity's facilities in South Carolina, following on from an earlier visit by US Congressman Trey Gowdy in September 2014. As such, the Entity considers that the invitation to participate announced by the Entity on 10 December 2014 was covered by Listing Rule 3.1A.1.

The Company does not consider that there has been any breach of any confidentiality or confidential discussions between the two parties.
  - (b) The Company has released an announcement regarding this invitation this morning as a means of seeking to address any potential market speculation relating to the increase in the Entity's share price and trading volume raised by ASX.
  - (c) Not applicable.

3. Following the Entity's response to question 1 above, the Entity considers that there have been multiple other reasons for the increase in the Entity's price and trading volumes on ASX over the period that ASX has identified. In particular, the Entity notes that:
- (a) the Entity's share price has seen an increase over the recent months from 8.5 cents on 19 August 2014 to 46.5 cents on 8 December 2014, so the increase in price during the period identified by ASX is consistent with the general trend of the Entity's share price over the past four months.
  - (b) In addition to the above, the Entity notes that its share price and trading volume commenced significant movement in November 2014, increasing from 15 cents on 3 November to 33.5 cents on 28 November 2014. The increase during December appears to remain consistent with the increased interest in the Entity's shares during this period.
  - (c) During this period, the Entity has made various announcements to ASX in relation to the gradual move to the commercialisation and acceptance of the Entity's products, including the following announcements on each of the following dates:
    - (i) 21 August 2014 – receipt of a \$250,000 grant from the South Carolina/Israel Collaborative Industry R&D Program under which the Entity will work with ICL, Inc. of Israel to develop flame retardant chemicals and treatment packages to be supplied to the textile industry;
    - (ii) 26 August 2014 – the agreement to purchase the Entity's fire retardant chemistry to conduct a commercial production run by a major US automotive interiors group;
    - (iii) 1 October 2014 – the extension of a distribution agreement between the Entity and iTextiles;
    - (iv) 7 October 2014 – the receipt of purchase orders for initial sales of the Entity's chemistry into flame retardant wool products;
    - (v) 4 November 2014 – the engagement of two new transportation upholstery manufacturers, increasing the number of customers for its products in this market to five, with potential annual sales volumes of US\$10m.
  - (d) Surrounding these announcements, the Entity has been actively promoting its business in the equity markets in the United States, resulting in:
    - (i) the completion of a placement to raise \$1.65m from US institutional investors, announced to ASX on 3 November 2014; and
    - (ii) the announcement of the partnership with New York based EAS Advisors, founded by Eddie Sugar, to provide strategic support for the Entity's continued growth in the US, including towards the Entity's proposed listing in the US in 2015.

- (e) During the period in question, the Entity has seen significant discussion on internet forum site 'Hotcopper' which is likely to have seen the Entity being brought to the attention of various share traders without any interaction with or involvement of the Entity.
- (f) The Entity is aware of the publicly available information that the US Defense Appropriation Bill, which has been passed through the Committee stage and Congress and is before the Senate, and so not signed into law, contains a direction to the US Department of Defense to review the availability of US sourced environmentally friendly flame retardants.
- (g) On the basis of (a) to (f) above, the Entity considers that the price increase is likely to have been coincidental to, and not resultant from, the Entity's ongoing involvement with the United States Department of Defence and considers that there has been no breach of any confidentiality relating to those discussions. The Entity specifically considers that it has now announced to ASX all information relating to those discussions which it is in a position to announce, notwithstanding the Entity's view that it may not technically be required to release such information at this time.

4. The Entity considers that it is in compliance with the Listing Rules of ASX including Listing Rule 3.1.

Yours sincerely



Nicholas Clark  
Chief Executive Officer



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8 December 2014

Mr Cameron Maitland  
Company Secretary  
Level 18, Central Park  
152 – 158 St Georges Terrace  
Perth WA 6000

Dear Cameron

**Alexium International Group Limited (the “Entity”)**

We have noted a change in the price of the Entity's securities from a close of \$0.34 on 1 December 2014 to an intra day high at the time of writing of \$0.475 today, 8 December 2014. We have also noted a significant increase in the volume of trading in the Entity's securities over this period.

In light of the price change and increase in volume, ASX asks you to respond separately to each of the following questions:

1. Is the Entity aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is “yes”:
  - a) Is the Entity relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?  
  
Please note that the recent trading in the Entity's securities would suggest to ASX that such information may have ceased to be confidential and therefore the Entity may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.
  - b) Can an announcement be made immediately?  
  
Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).
  - c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is “no”, is there any other explanation that the Entity may have for the recent trading in its securities?
4. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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### When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **03:00 pm WST today, 8 December 2014**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **dale.allen@asx.com.au** and **tradinghaltspert@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

### Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

Dale Allen

**Senior Adviser, Listings Compliance (Perth)**

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