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## ANNOUNCEMENTS:

- Corporate Video Launched and Website Re-Design
- Confirmation of Confidential Filing Registration Statement
- CEO Address at the Annual General Meeting
- Company Secretary/ Resignation
- Results from European Automotive Fabric Supplier

[Click to View Announcements](#)

## IN THE ISSUE:

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# MESSAGE FROM THE CEO

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As you all know, 2015 has been a very productive and successful year for the Alexium team especially in relation to our military and commercial efforts.

Leading into 2016, I have made the strategic decision to merge Alexium Operations and the R&D lab into a single facility to improve efficiencies and to stay on target for our 2016 goals. Another strategic decision is create more working capital and to invest in additional inventory for faster roll-outs.

Our growing staff has done an incredible job on all fronts—from developing new chemistries to cultivating new and existing customer partnerships to improving internal and external processes and efficiencies. Their efforts are truly appreciated.

I'd also like to thank all of the shareholders for their continued support the past 12 months. We have achieved a lot the past year as we have further moved into a commercialized business along with establishing a strong military presence; and we are glad to have all of you on this journey with us.

I plan on spending the remainder of 2015 focusing on my relationships on Capitol Hill, while holding an intensive round of meetings with the US Department of Defense.

Finally, I want to wish all of you and your families a wonderful and safe holiday season.

“  
***We look forward to a  
successful 2016 as our  
global partnerships and  
efforts continue to  
evolve.***  
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*Nicholas Clark*  
CEO

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2015 is rapidly coming to a close, and with it, brings a close to a year of tremendous growth for Alexium and its value to you, the shareholders.

As you will read below in Steve's section on Sales and Marketing, we continue to make great strides in closing new accounts and building our revenue base. In fact, due to closing key business in the 3Q and early 4Q of this calendar year, we are forecasting Alexium will be in a strong position of positive growth in the first half of 2016.



*Dr. Dirk Van Hying  
President*

## Note from the President

A major focus for next year, as Dr. Brookins outlines in the R&D update, will be continued expansion outside of textiles into the much larger resins, coatings and plastics markets in FR chemical sales. Due to rapid traction in Alexium's initial forays into these markets, we plan on rapidly building Alexium's presence in those markets - and we believe our initial opportunities in those sectors, in addition to our existing textile business, will allow Alexium to realize significant bottom-line profit in 2016.

With this new business comes the challenge of managing our growth, and for that reason, we have brought to the Alexium team a new General Manager of Operations and Growth, Michael Schwartz. Michael has over 15 years experience in the chemical industry, including: P&L responsibility and over \$100M in chemical sales under his belt. As Alexium continues to grow, a number of corporate functions including: logistics, quality assurance, manufacturing coordination, purchasing and supply chain will be consolidated under Michael within the Operations Department. This will ensure these functions will run smoothly and seamlessly as we deliver first-quality product, on-time to a growing number of clients with an increasing complexity of our offering. In addition, Michael will coordinate the combined efforts of Sales and Product Development with the Operations center to maximize the efficiency and speed of Alexium's growth.

I wish you all, the shareholders, a Merry Christmas and Happy Holidays and we are looking forward to a very exciting 2016.



# SALES UPDATE

As you know, 2015 has been extremely productive for our Sales and Marketing team paving the way for an even more successful 2016. Each market is identified below.

## Bedding and Decorative Fabrics

Alexium has been very busy in the home furnishings sector with a continued growth in 2015 which will rapidly increase leading in 2016. As we continue to ramp up Alexiflam with a major bedding producer on several of their product lines, we have transitioned to shipping totes instead of drums to accommodate the higher volume demands. Much time has been spent on getting our supply chain in line to support this customer's forecasted run rate. Lab work has also been completed successfully on FR sock fabrics to protect memory foam mattresses. Plant trials are expected during the month of December. This product alone represents an increase in our annual run rate. In addition to our Alexiflam™ FR product offerings, we recently created a new product outside of FR for this market, Alexiflam Crockban—used to prevent dye transfer on mattress showroom fabrics. The initial customer run rate on this new program has potential of \$1-\$2M per year.

## Military

One of our major focuses of 2015 has been with the U.S. Military. As reported earlier this year, Alexium was selected to be a key partner in a subcontracting position with the US Army to develop the first-ever environmentally-friendly FR 50/50 nylon-cotton fabric. Being selected for this role puts Alexium in a key position to capture a significant portion of the \$240M global 50/50 nylon-cotton revenue and efforts to help the DoD optimize their fabric to complement Alexium's exceptional FR performance are already underway. In addition to these efforts, we have just shipped chemistry of Alexiflam with a DWR (durable water repellent) finish—our new one pass solution. This offers another expansion of products for us especially in the military sector. By having the combined chemistry, the cost savings to one customer alone could be up to \$7M per year.

John Stelling, our military sales representative, will also be attending two upcoming military events. The Massachusetts Military Asset and Security Strategy Task Force is sponsoring the Air Force/Army Business Industry Day 2015 and the NCTO is hosting the Government Textiles Committee at Fort Belvoir where they will be meeting with representatives from PEO soldier. Both give Stelling an opportunity to network and discuss Alexium's position in the military sector.

## Outdoor

We are currently expecting trial fabrics in 100% cotton used for tenting applications this month to confirm our lab scale formulations. We will run plant scale up quantities to have sampling available for potential 2016 customers. Euroflam, our U.K. based FR commission finisher, is expected to finish fabrics with this formulation before year-end. The run rates for 100% cotton and cotton blend tenting could reach \$10M per year. For polyester tent fabrics, one producer is still in the final selection process for a finisher in the Asian arena. We are also in discussions with other outdoor tent manufactures to provide FR chemistry with potential year end run rate in excess of what has already been reported to the market.

## Transportation

We have also been very busy in the transportation sector. Test results from the European trials in October were very encouraging, with Alexium's Alexiflam treatment testing far superior to their current solution. We expect to be shipping chemistry representing a run rate of \$300k per month in 1Q CY2016. We have also been asked by a domestic automotive supplier to fine tune their formulation in their plant, which we believe could easily be an addressable revenue of \$300k per month in revenue beginning early next quarter. Another domestic automotive customer ran trials with our participation the second week of November to confirm our formulation and test results are currently being evaluating to determine our next steps. This customer has the potential to increase our monthly top line revenue in 2016.

Lee Lemere, sales representative, will be attending the National Recreation Vehicle Trade Show in Louisville, KY. This market offers the opportunity for Alexium to expand our transportation reach. Every fabric inside a Recreational Vehicle must meet the MVSS 302 standard which Alexium meets.

## Other Markets

As previously communicated, the long-term goal for Alexium has always been to move from our initial target market of textiles (global FR market potential \$3.5B per year) into the much larger non-textile markets (global FR market potential \$6.6B per year). We have targeted three initial non-textile customers and have gained immediate traction in these markets. In our initial efforts here, Alexium's proprietary chemistries in trials with a major global PET film supplier were very successful and we will be meeting with the customer in Europe to confirm results this month. Early testing from two large resin producers in late 3Q were very encouraging, with trials in both opportunities moving from pilot scale to full-scale FR polymer production targeted for fiberglass composites. This customer ordered more scale up chemistry and are expected to purchase additional chemistry in early January. Based on the speed of technical work and customer adoption, these two opportunities in the polymer and resin industry—which is Alexium's next market focus—have monthly run rates of up to \$4M per month. Alexium recognizes the importance of this new industry and will continue to shift the focus onto this segment in 2016.



Steve Gravlee,  
VP of Sales

# RESEARCH AND DEVELOPMENT UPDATE



*Dr. Bob Brookins  
VP of Research & Development*

Based on feedback from flame retardant users, Alexium is strongly focused on rolling out our products to a broader range of markets. In some cases, this expansion is into new regions for our current Alexiflam products. For customers with manufacturing operations outside the US, establishing manufacturing and distribution of these products is important for logistical purposes. Thus, we are working with partners in these regions for this implementation.

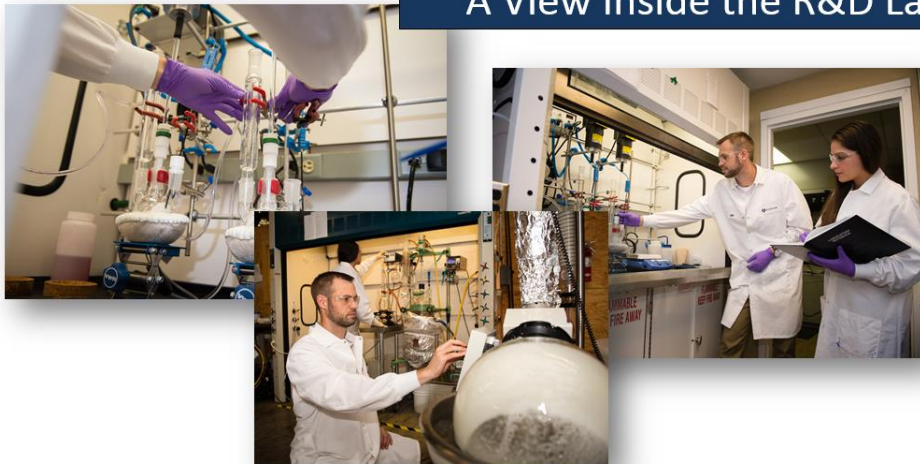
Additionally, the Research and Development (R&D) Group has a number of new products under development. These products cover a broad range of markets, including the following:

- FR textiles
- Resins for electronics
- Resins for composites

Now that these new products have been synthesized and evaluated for these applications, we are moving into scale up efforts for these. Because these new products offer whole new market opportunities and sources of revenue, the R&D Team is keen to commercialize these as rapidly as possible.

With recent hires on both the R&D and Operations sides of Alexium, we are well poised to make a big impact on how 2016 looks for Alexium.

## A View Inside the R&D Lab



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# Corporate Services

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This has been a very successful year amongst all departments and I am confident that we will continue to see exceptional results in 2016.

Last month I discussed the critical success factors of a strong support staff in the business. The administrative functions of the business often make the most impact to sustainable growth by controlling and lowering costs. While managing expenditures is often times like trying to hit a moving target, we have worked hard to develop a lean business mentality as we continue to grow. While in the last newsletter we focused primarily on the cost savings on human capital, this month we look at some of the operational efficiencies we have gained recently.



*Aaron Krech*  
CFO

With the introduction of the General Manager of Operations and Growth, we have been able to capitalize on a segment of market expertise that was previously untapped. In the short period of time that this position has been filled, our logistics team has been able to realize a US\$45,000 cost savings on raw materials through better materials planning and supplier relationship building. This cost savings represents a fraction of the total potential savings which will only continue to grow as our sales volumes and subsequent inventory levels continue rising. This attention to supplier relations will only reinforce our business as Alexium gains momentum in the market place.

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**The Alexium Family would like to Wish You  
and Yours a Great Holiday Season and a  
Prosperous New Year!**

**Thank You for being a Valued Shareholder.**

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