ABN: 91 064 820 408

US: 350 W Phillips Road
Greer, SC 29650 USA

AU: Level 7, 330 Collins Street
Melbourne, Victoria, 3000

ASX | 4 March 2024

Extraordinary General Meeting

Sydney (Australia), Greer (South Carolina, US) – 4 March 2024: In accordance with ASX Listing Rule 3.17, **attached** are the following documents:

i. A Letter to shareholders regarding arrangements for the Extraordinary General Meeting as despatched to shareholders in lieu of the Notice of Meeting;

ii. Notice of Meeting; and

iii. Proxy Form.

ENDS

Authorised for release by the Company Secretary of Alexium International Group Limited.

About Alexium International Group Limited
Alexium International Group Limited (ASX: AJX) is a performance chemicals provider for advanced materials applications with a focus on flame retardancy and thermal management. The Company is driven by an innovation model for addressing market gaps with patent-protected technologies. These environmentally friendly solutions have applications for several industries and can be customized to meet customer needs. Key markets for Alexium are military uniforms, workwear, and bedding products. Alexium brands include Alexicool® and Alexiflam®. For additional information about Alexium, please visit www.alexiuminternational.com.

For further information please contact:
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Melbourne, Victoria, 3000

4 March 2024

Extraordinary General Meeting
Alexium International Group Limited (ASX: AJX)

Dear Shareholder,

Alexium International Group Limited (ASX: AJX) ("**Alexium**" or "**the Company**") is pleased to invite shareholders to attend the Extraordinary General Meeting ("**EGM**" or "**the Meeting**") to be held on **Thursday, 4 April 2024** at **9:00am (Sydney time)** at the **offices of Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000**. The Company will make arrangements to live stream the EGM and the link will be advised via ASX Market Announcements Platform closer to the Meeting. Please note virtual attendees will not be able to vote or ask questions via the live stream link.

Meeting Materials

The Notice of Meeting, the accompanying Explantory Statement and the Proxy Form ("**Meeting Materials**") are being made available to shareholders electronically. In accordance with the Corporations Act 2001 (Cth), the Company will not be sending hard copies of the Notice of Meeting to shareholders unless a shareholder has previously requested a hard copy.

You can access the Meeting Materials using the following link:
https://www.alexiuminternational.com/investor-relations/

Voting

Shareholders are strongly encouraged to submit their Proxy Forms as soon as possible. To lodge your Proxy Form online, please visit, https://investor.automic.com.au/#/loginsah.

For your voting instructions to be valid and counted towards this Meeting, please ensure that your online lodgement is received no later than 9:00am (Sydney time) on Tuesday, 2 April 2024.

Voting instructions received after this time will not be valid for the scheduled Meeting.

As a valued shareholder of the Company, we look forward to your participation in the Meeting.

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Melbourne, Victoria, 3000

If you are unable to access any of the Meeting Materials online, please contact the Acclime Company Secretary representative at s.mcintosh@acclime.com with the email subject 'AJX EGM'.

Mark Licciardo
Company Secretary

ALEXIUM INTERNATIONAL GROUP LIMITED
ACN 064 820 408
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 9.00am (Sydney time)

DATE: 4 April 2024

PLACE: Offices of Grant Thornton
Level 17, 383 Kent Street
Sydney, New South Wales

The business of the Meeting affects your shareholding and your vote is important.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (Sydney time) on 2 April 2024.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL OF ISSUE OF SECURITIES TO COLINTON CAPITAL PARTNERS PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 to 5 (inclusive) for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue up to:

(a) up to 550,753,108 Shares to Colinton Capital Partners Fund I (A) Pty Ltd; and

(b) 153,846,154 Shares to Colinton Capital Partners Pty Ltd,

*(together the **New Shares**),*

on the terms and conditions set out in the Explanatory Statement, which in addition to the existing Shares already held by the Colinton Associates and Shares to which the Colinton Associates are already entitled to receive, will result in the voting power of the Colinton Associates increasing from 12.816% to up to 51.91% in the capital of the Company."

A voting exclusion statement applies to this Resolution. Please see below.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions (the subject of this Resolution) to the non-associated Shareholders in the Company.

2. RESOLUTION 2 – ISSUE OF PLACEMENT SHARES TO UNRELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 131,384,615 Shares on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – ISSUE OF PLACEMENT SHARES TO RELATED PARTY – WILLIAM BLACKBURN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 12,000,000 Shares to William Blackburn (or his nominee) on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

4. RESOLUTION 4 – ISSUE OF PLACEMENT SHARES TO RELATED PARTY – PAUL STENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 11,500,000 Shares to Paul Stenson (or his nominee) on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

5. RESOLUTION 5 – ISSUE OF PLACEMENT SHARES TO RELATED PARTY – ROBERT BROOKINS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 3,850,000 Shares to Robert Brookins (or his nominee) on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolution 1 – Approval of issue to securities to Colinton Capital Partners Pty Ltd	No votes may be cast in favour of this Resolution by: (a) the person proposing to make the acquisition and their associates; or (b) the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, the Company will disregard any votes cast on this Resolution by Colinton Capital Partners Pty Ltd and any of its associates.
Resolution 2 – Issue of Placement Shares to unrelated parties	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons).
Resolutions 3 to 5 – Issue of Placement Shares to Related Parties	Each of the parties named in that Resolution (or their nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

   (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

   (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

VOTING

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the Meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment unless you actually vote at the Meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that Resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the Meeting. If you do not bring your Proxy Form with you, you can still attend the Meeting but representatives from Automic will need to verify your identity. You can register from 8.30am on the day of the meeting.

Should you wish to discuss the matters in this Notice please do not hesitate to contact the Company Secretary on +61 3 8689 9997.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND

1.1 History

On 27 December 2023, the Company announced to ASX that it had entered into agreements for the refinancing of existing debt and to undertake a capital raising of a minimum of $4 million to support business growth plans. Under the proposed transactions, the Company:

(a) has entered into a conditional deed of settlement and termination with Colinton Capital Partners Fund I (A) Pty Ltd as trustee of the Colinton Capital Partners Fund I (A) Trust (the **Colinton Fund**) pursuant to which the Colinton Fund has agreed to convert $7 million of convertible notes plus accrued interest thereon into equity in the Company at $0.015 per Share (**Con Note Conversion**);

(b) has entered into a bridging loan with Colinton Capital Partners Pty Ltd (**Colinton**) pursuant to which Colinton has provided the Company with $2 million as an advance, to be offset against Colinton's other contractual requirements outlined below (**Bridging Loan**);

(c) indicated its intention to undertake a fully underwritten entitlement offer to raise approximately $3.5 million, underwritten by Colinton for $2.0 million and Wentworth Williamson Management Pty Limited (**Wentworth Williamson**) for a further $1.5 million (**Entitlement Offer**); and

(d) executed conditional subscription agreements with various parties, including Colinton and Wentworth Williamson, to subscribe for approximately $4 million in new shares at $0.013 per Share, with the subscription obligations of each of Colinton and Wentworth Williamson being offset against any Shares that they are required to subscribe for under the entitlement offer (**Placement**),

(**Proposed Transactions**).

Summaries of the key agreements are set out in Schedule 2.

1.2 Conditions precedent to the Proposed Transactions

The Proposed Transactions involving the issuance of new Shares are conditional upon Shareholders approving all of the resolutions the subject of this Notice of Meeting. If any of the Resolutions are not passed, then the Proposed Transactions, other than the Bridging Loan, will not proceed. The Bridging Loan has been provided by Colinton and will remain in place; however, the interest rate will increase from 15% to 20% per annum.

1.3 Effect of Proposed Transactions on share capital

Should the Resolutions be passed and the Proposed Transactions completed, the Company's capital structure will change as follows:

	Shares	Share Appreciation Rights
Balance at the date of this Notice	661,210,753	61,816,408
Issue of Shares under the Entitlement issue	269,112,776	Nil
Issue of Shares under the Placement[1]	43,467,993	Nil
Issue of Shares on conversion of the convertible notes[2]	up to 550,753,108	Nil
Total at completion of Proposed Transactions[3]	**up to 1,524,544,630**	**61,816,408**

Notes:

1. The number of Shares issued to Colinton and Wentworth Williamson under the Placement will be reduced by the number of Shares that those parties are required to subscribe for as underwriters of the Entitlement Offer. This figure assumes no Shareholders participate in the Entitlement Offer and Colinton and Wentworth Williamson are required to take up their full commitment under their Underwriting Agreements.

2. This amount includes Shares issued for interest accrued on the convertible notes, and therefore may be reduced where the conversion into Shares occurs prior to 15 May 2024, which is a date the parties to the agreements have determined that these transactions can and should be completed by.

3. This figure is approximate only and would increase where Shareholders participate in the Entitlement Offer.

1.4 Effect of the Entitlement Offer

As part of the Proposed Transactions, the Company intends to undertake the Entitlement Offer.

The Entitlement Offer is fully underwritten by Colinton and Wentworth Williamson. Pursuant to the terms of their subscription agreements, any Shares that Colinton and Wentworth Williamson are required to subscribe for as underwriters of the Entitlement Offer will be deducted from the Shares that they subscribe for under the Placement. This means that the maximum number of Shares that Colinton could apply for under the Entitlement Offer and the Placement is 153,846,154 Shares. No underwriting fee is payable to either Colinton or Wentworth Williamson for acting as the underwriters of the Entitlement Offer.

The Colinton Fund is an existing Shareholder of the Company and would be entitled to participate in the Entitlement Offer. However, the Colinton Fund has confirmed to the Company that it will not subscribe for its entitlement under the Entitlement Offer, meaning that no additional Shares would be issued to the Colinton Associates to those New Shares under Resolution 1 that could take their voting power above the maximum number specified in this Notice of Meeting.

Instead, any Shares applied for and issued under the Entitlement Offer by other Shareholders would have the effect of reducing the voting power of the Colinton Associates from the maximum specified in this Notice of Meeting.

1.5 Colinton Bridging Loan to be offset

As referred to in Section 1.1 above, Colinton has provided a Bridging Loan to the Company in the amount of $2 million. It is intended that the Bridging Loan will be offset against Colinton's obligation to underwrite the Entitlement Offer and/or its commitment under the Placement meaning that Colinton will not be advancing further funds to the Company under either the Entitlement Offer or the Placement. This will have the effect of reducing the Company's liability under the Bridging Loan. The receipt of funds under the Bridging Loan has enabled the Company to meet its working capital obligations since December 2023, when the funds were received.

1.6 Shares in lieu of salary (SILOS)

At the Company's 2023 Annual General Meeting held in November 2023, Shareholders approved the issue of Shares in lieu of cash salary (**SILOS**) to the Company's Directors, including Mr Simon Moore, under the Company's employee incentive plan. As at 31 December 2023, Mr Moore has accumulated the right to receive 4,184,624 Shares in lieu of salary, which have not yet been issued. Mr Moore will accumulate the right to receive additional SILOS up to the period ending 30 June 2024. However, the number of additional SILOS that may be accumulated and issued are not able to be calculated as at the date of this Notice of Meeting but are not expected to have an impact on the maximum voting power that may be obtained by the Colinton Associates as set out in this Notice of Meeting.

1.7 Effect of Proposed Transactions on Balance Sheet

A pro forma balance sheet showing the effect of the Proposed Transactions is set out in Schedule 1.

2. RESOLUTION 1 – APPROVAL TO ISSUE SECURITIES TO COLINTON ASSOCIATES

2.1 Background

Resolution 1 seeks Shareholder approval for the purpose of Item 7 of section 611 of the Corporations Act to allow the Company to issue up to 704,599,262 Shares (**New Shares**) to the Colinton Fund and Colinton. The issue of the New Shares, when aggregated with the existing Shares held by the Colinton Associates and securities convertible into Shares already held by Mr Simon Moore, will result in voting power in the Company increasing from 12.816% to up to 51.91%.

Pursuant to ASX Listing Rule 7.2 (Exception 8), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

In addition, Simon Moore, a Director of the Company, is also a Colinton Associate. Pursuant to ASX Listing Rule 10.12 (Exception 6), Listing Rule 10.11 does not apply to an issue of securities approved for the purpose of Item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 1, the Company is not required to seek separate approval for the issue of the New Shares under Listing Rule 10.11.

2.2 Background on Item 7 of Section 611 of the Corporations Act

2.2.1 Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%,

(**Prohibition**).

2.2.2 Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

2.2.3 Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

(a) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

2.2.4 Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

2.2.5 Control

The Corporations Act defines "control" and "relevant agreement" very broadly as follows:

(a) under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company; and

(b) under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

2.2.6 Agreements and options in relation to shares

Section 608(8) of the Corporations Act states that if at a particular time all the following conditions are satisfied:

(a) a person has a relevant interest in issued securities;

(b) the person (whether before or after acquiring the relevant interest);

- (i) has entered or enters into an agreement with another person with respect to the securities; or

- (ii) has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfilment of a condition); or

- (iii) has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities;

(c) the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised,

the other person is taken to already have a relevant interest in the securities.

2.3 Background on the Colinton Associates

Colinton Capital Partners Pty Ltd is a Sydney-based fund management company with approximately $240 million in funds under management, across nine active portfolio companies, including the Company.

Colinton Capital Partners Fund I (A) Pty Ltd is the trustee of the Colinton Capital Partners Fund I (A) Trust and is a shareholder of the Company for the purpose of holding Shares in the Company for the Colinton Fund. This entity also holds the convertible note issued by the Company to the Colinton Fund, which is intended to be converted (together with accrued interest) into New Shares as part of the Proposed Transactions.

Simon Moore, a Director of the Company, is a Senior Partner and Founder of Colinton. Mr Moore has continually disclosed the interests of Colinton and the Colinton Fund in his Director's Interest Notices lodged by the Company with the ASX.

The Colinton Fund initially invested in the Company in December 2019 and has provided additional support through additional debt offerings to the Company since that time.

2.3.1 Who are the Colinton Associates?

For the purposes of the Corporations Act, the following persons are deemed to be the Colinton Associates

(a) the Colinton Fund;

(b) Colinton; and

(c) Simon Moore,

(together, the **Colinton Associates**).

They are all considered associates on the basis that by the nature of their relationships with one another and the business of Colinton Capital Partners, they are fundamentally acting in concert in relation to their combined shareholding in the Company.

2.3.2 What interests do the Colinton Associates currently hold in the Company?

As at the date of this Notice of Meeting, each of the Colinton Associates are the registered holders of the following Shares in the Company:

Colinton Associate	No. of Shares held
Colinton Fund	79,151,331
Colinton	5,586,862
Simon Moore	Nil

In addition, Colinton is entitled to receive a further 4,184,624 Shares as SILOS (refer to Section 1.6 above.

The Colinton Associates do not hold any other Securities on issue in the Company.

2.3.3 What will be the effect of the issue of Shares under Resolution 1 on the Colinton Associates?

The effect of section 608(8) on the proposed Issue is as follows:

(a) up to 550,753,108 New Shares will be issued to the Colinton Fund upon the conversion of the existing Convertible Note (and accrued interest);

(b) up to 153,846,154 New Shares will be issued to Colinton Capital under the Placement; and

(c) each of the Colinton Associates will acquire a relevant interest in all of the New Shares once issued.

2.4 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the New Shares, the Colinton Associates will have a relevant interest in up to 789,337,455 Shares in the Company, representing a voting power in the Company of up to 51.78%. This assumes that no other Shares are issued. In addition, a further 4,184,624 Shares may be issued to Simon Moore upon the conversion of SILOs held by Mr Moore prior to the issue of any other Shares, which would take the potential voting power up to a maximum of 51.91%.

Accordingly, Resolution 1 seeks Shareholder approval for the purpose of section 611 Item 7 and all other purposes to enable the Company to issue the New Shares to the Colinton Fund and Colinton.

The Company notes that this voting power is the maximum voting power that may be obtained by the Colinton Associates as a result of the Proposed Transactions. As part of the Proposed Transactions, the Company also proposes making the Entitlement Offer to its eligible Shareholders. Shares issued to eligible Shareholders will reduce the voting power of the Colinton Associates below this maximum. Further, the earlier the Convertible Note is converted into Shares, the less interest will be accrued to be converted into Shares. In the event that all eligible Shareholders subscribe for their entitlement under the Entitlement Offer (other than the Colinton Fund who has indicated to the Company that it will not subscribe under the Entitlement Offer), then the approximate voting power of the Colinton Associates is likely to be between 44% and 46%.

2.5 Specific Information required by section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO enclosed with this Notice of Meeting.

2.5.1 Who will the New Shares be issued to?

It is proposed that the Colinton Fund and Colinton will be issued the New Shares as follows:

Colinton Associate	No. of Shares held
Colinton Fund	550,753,108
Colinton	153,846,154

The identity of the Colinton Associates and the nature of their relevant interest is summarised in section 2.5.2 below of this Explanatory Statement.

2.5.2 Relevant Interest and Voting Power

(a) Relevant Interest

The relevant interests of the Colinton Associates in voting shares in the capital of the Company (both current, and following the issue of the New Shares as contemplated by this Notice) are set out in the table below:

Party	Capacity	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the New Shares
The Colinton Fund	Registered holder and associate of Colinton	79,151,331	629,904,439
Colinton	Registered holder and associate of the Colinton Fund	84,738,193	789,337,455
Simon Moore	Director of Colinton and the Colinton Fund	84,738,193	789,337,455

Notes:

1. Colinton will receive a further 4,184,624 Shares as SILOS at the same time or prior to any of the New Shares being issued, which would increase the number of Shares in which Colinton and Mr Moore has a relevant interest by 4,184,624 Shares.

None of the Colinton Associates have any contract, arrangement or understanding relating to the controlling or influencing of the composition of the Company's board or the conduct of the Company's affairs, nor are any of those persons proposing to act in concert in relation to the Company's affairs.

(b) Voting Power

The voting power of the Colinton Associates (both current, and following the issue of the New Shares contemplated by this Notice) is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power after Shareholder approval of Resolution 1 and issue of those Shares
The Colinton Fund	12.816%	up to 51.91%
Colinton	12.816%	up to 51.91%
Simon Moore	12.816%	up to 51.91%

Notes:

This assumes:

1. that the Convertible Note is converted on the last date of 15 May 2024, and therefore all Shares the subject of this Notice of Meeting are issued and no Shares are issued under the Entitlement Issue; and
2. that 4,184,624 SILOs are issued to Colinton at or before the date the other Shares are issued under this Notice of Meeting.

Further details on the voting power of the Colinton Associates is set out in the Independent Expert's Report prepared by BDO.

(c) Summary of increases

From the above chart it can be seen that the maximum relevant interest that the Colinton Associates will hold after completion of the Issue is 793,522,079 Shares, and the maximum voting power that the Colinton Associates will hold is 51.91%. This represents a maximum increase in voting power of 39.094% (being the difference between 12.816% and 51.91%).

(d) Assumptions

Note that the following assumptions have been made in calculating the above:

(i) the Company has 661,210,753 Shares on issue as at the date of this Notice of Meeting;

(ii) the Company does not issue any additional Shares;

(iii) all Resolutions are passed by Shareholders;

(iv) no Shares are applied for by eligible Shareholders under the Entitlement Offer;

(v) no Share Appreciation Rights are converted into Shares; and

(vi) the Colinton Associates do not acquire any additional Shares other than the 4,184,624 SILOs to which Colinton is entitled to receive on behalf of Mr Moore.

(e) Reasons for the proposed issue of securities

As set out in section 1.1, the purpose of issue of the New Shares is to assist with the recapitalisation of the Company as announced to ASX on 27 December 2023.

(f) Date of proposed issue of securities

The New Shares the subject of Resolution 1 will be issued on a date after the Meeting to be determined by the Company.

(g) Material terms of proposed issue of securities

The Company is proposing to issue:

(ii) up to 550,753,108 New Shares at a deemed issue price of $0.015 per Share for the conversion of existing convertible notes and accrued interest on those convertible notes; and

(i) up to 153,846,154 Shares at $0.013 per Share by way of a placement to Colinton on the assumption that Colinton is not required to subscribe for any underwriting Shares under the Entitlement Offer.

(h) The Colinton Associates' Intentions

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the Colinton Associates:

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) does not intend to redeploy any fixed assets of the Company;

(v) does not intend to transfer any property between the Company and any of the Colinton Associates;

(vi) has no intention to change the Company's existing policies in relation to financial matters or dividends; and

(vii) does not intent to propose any changes to the existing Directors of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Colinton Associates as at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(i) Interests and Recommendations of Directors

(i) Mr Simon Moore has a material personal interest in the outcome of Resolution 1.

(i) Each of the other Directors of the Company, other than Mr Moore, consider that the Proposed Transactions are in the best interests of Shareholders in all the circumstances and recommend that Shareholders vote in favour of Resolution 1 on the basis that the recapitalisation of the Company provides the best opportunity for the Company to achieve its ultimate goal of being a profit making operator of its business in the United States and globally.

(ii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

(j) Capital Structure

The capital structure is shown in Section 1.3 above.

2.6 Advantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

(a) the issue of the New Shares to the Colinton Associates will see the Company retire approximately $8.26 million in current debt (as at 15 May 2024), which will make a significant change to the Company's balance sheet;

(b) the Proposed Transactions have already seen the Company receive $2 million in funds from Colinton by way of the Bridging Loan, which has been used to meet the Company's working capital needs, and the issue of the New Shares to Colinton would ensure the Company does not have any ongoing obligation to repay the Bridging Loan, as those funds are offset against its obligations under the Placement;

(c) the Proposed Transactions are inter-conditional and on completion, will raise a minimum of $4 million in funding for the Company (including the $2 million already received from Colinton via the Bridging Loan);

(d) the funds raised will enable the Company to execute and accelerate on growth opportunities by providing working capital and strengthening the Company's balance sheet;

(e) the Colinton Associates have been supportive Shareholders of the Company and by virtue of the role of Mr Simon Moore as a Director of the Company, have a strong understanding of the business of the Company; and

(f) BDO has concluded that the issue of the New Shares is fair and reasonable to the non-associated shareholders.

2.7 Disadvantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

(a) the issue of the New Shares to the Colinton Associates will increase the voting power of those Colinton Associates from 12.816% to up to 51.91%, reducing the voting power of non-associated Shareholders in aggregate from 87.184% to at least 48.09% if all of the Shares under this Notice of Meeting are issued and no other Shareholders participate in the Entitlement Offer;

(b) the issue of the New Shares will make the Colinton Associates the single largest Shareholders in the Company, giving them significant control over future decisions of the Company; and

(c) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

2.8 Independent Expert's Report – Resolution 1

The Independent Expert's Report prepared by BDO (a copy of which is enclosed with this Notice of Meeting) assesses whether the transactions contemplated by Resolution 1 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 1 are **fair and reasonable** to the non-associated Shareholders of the Company for the reasons set out in the Independent Expert's Report.

The Independent Expert notes that the key advantages of the proposal raised in Resolution 1 to the Company and existing Shareholders are as follows:

(a) the proposed transactions are fair, in the view of the Independent Expert;

(b) the debt for equity refinancing of the outstanding Convertible Notes under Resolution 1 removes the short to medium-term interest burden and refinancing concerns of the Company;

(c) the capital raising contemplated will strengthen the Company's balance sheet to support the Company's growth plans;

(d) Shareholders will not incur any brokerage charges or other fees if the proposed transactions are approved;

(e) the Placement is at a discount to the price that the Company's Shares have traded on ASX prior to the announcement of the proposed transactions;

(f) the exchange price for the Convertible Note is at a premium to the Placement price and the 7-day volume weighted average trading prices; and

(g) Shareholders have the option to participate in the Entitlement Issue, but not the obligation, and the Entitlement Issue is fully underwritten.

The key disadvantages noted by the Independent Expert are as follows:

(a) the exchange price of the Convertible Note is below the current conversion price of AUD$0.03 per the current terms of that Convertible Note; and

(b) Shareholders may face further dilution if they decide not to participate in the Entitlement Offer.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2.9 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the issue and the Associated Transactions is set out in Schedule 1.

2.10 Other Corporations Act matters – Related party provisions

Simon Moore, a Director of the Company, is a Colinton Associate. For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Mr Moore will arguable receive a financial benefit as a result of the issue of Shares to the Colinton Fund and Colinton, and as such the Directors need to consider the application of Chapter 2E to the issue of the New Shares.

The Directors (other than Simon Moore who has a material personal interest in the Resolution by virtue of being a Colinton Associate) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the New Shares under Resolution 1 because the terms of the Proposed Transactions have been agreed on arms' length and have been agreed after substantive discussion and considerations of the best interests for the Company, its ongoing business and its Shareholders. In addition, Mr Moore was not involved in any decisions to resolve to proceed with the transactions that will result in the New Shares to the Colinton Fund and Colinton.

2.11 ASX Listing Rule 7.1

Approval under ASX Listing Rule 7.1 is not required for the issue of New Shares as approval is being obtained for the purposes of Item 7 of section 611 of the Corporations Act, which is an exception to ASX Listing Rule 7.1 Accordingly, the issue of the New Shares to Colinton Capital will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

2.12 ASX Listing Rule 10.11

Simon Moore, a Director of the Company, is also a Colinton Associate. Pursuant to ASX Listing Rule 10.12 (Exception 6), Listing Rule 10.11 does not apply to an issue of securities approved for the purpose of Item 7 of section 611 of the Corporations

Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 1, the Company is not required to seek separate approval for the issue if the New Shares under Listing Rule 10.11.

3. RESOLUTIONS 2 TO 5 – ISSUE OF PLACEMENT SHARES

3.1 Background

As referred to in Section 1 above, the Company has announced its intention to undertake the Entitlement Issue and the Placement.

Resolutions 2 to 5 seek approvals for the issue of Shares under the proposed Placement. Summaries of the key terms of the subscription agreements entered into for the Placement are set out in Schedule 2.

Resolution 2 relates to the approval to issue shares to unrelated investors under the Placement and Resolutions 3 to 5 seek approval to issue Shares to related parties of the Company under the Placement.

3.2 Resolution 2 – issue of Shares to non-related party investors

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The proposed issue of the Shares does not fit within any of the exceptions set out in Listing Rule 7.2. While the issue does not exceed the 15% limit in Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval pursuant to Listing Rule 7.1 so that it does not use up any of its 15% placement capacity under Listing Rule 7.1.

Subject to the passing of Resolutions 1, 3, 4 and 5, if Resolution 2 is passed, the Company will be able to proceed with the issue of the Shares. In addition, the issue of the Shares will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Shares. In addition, the Proposed Transactions, other than the Bridging Loan (which has already been provided) will not proceed and the Company will need to consider its future operations given that the existing debt and the Bridging Loan will remain and the needed working capital will not be available.

Resolution 2 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the Shares.

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 2:

(a) the Shares will be issued to existing sophisticated and institutional shareholders of the Company, namely Wentworth Williamson, N&G TD Proprietary Limited and Lucky Pom Pty Limited, none of whom are related parties of the Company;

(b) in accordance with paragraph 7.2 of ASX Guidance Note 21, the Company confirms that none of the recipients will be:

(i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and

(ii) issued more than 1% of the issued capital of the Company;

(c) the maximum number of Shares to be issued is 131,384,615. The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(e) the issue price of the Shares will be $0.013 per Share. The Company will not receive any other consideration for the issue of the Shares;

(f) the purpose of the issue of the Shares is to ensure that the Company raises the minimum $4 million required to enable the Company to refinance its existing debt under the convertible notes and to raise working capital, which the Company intends to apply towards executing its ongoing business plan.

(g) the Shares are being issued under subscription agreements summarised in Schedule 2; and

(h) the Shares are not being issued under, or to fund, a reverse takeover.

3.3 Resolutions 3 to 5 – Issue of Shares to related parties

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Shares to the related parties under Resolutions 3 to 5 will result in the issue of Shares which constitutes giving a financial benefit and each of the parties is a related party by virtue of William Blackburn, Robert Brookins and Paul Stenson being Directors of the Company.

The Company's other Directors who don't have an interest in Resolutions 3 to 5 consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares under Resolutions 3 to 5 because the Shares will be issued to the related parties on the same terms as Shares issued to non-related party participants in the Placement and the

Entitlement Issue and as such the giving of the financial benefit is on arm's length terms.

However, Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

10.11.1 a related party;

10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;

10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or

10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of Shares under Resolutions 3 to 5 falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolutions 3 to 5 seeks Shareholder approval for the Participation under and for the purposes of Listing Rule 10.11.

Subject to the passing of all Resolutions under this Notice of Meeting, if any of Resolution 3 to 5 are passed, the Company will be able to proceed with the issue of the Shares under those Resolutions within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will raise additional funds which will be used in the manner set out in Section 1 above. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Shares in respect of the Participation (because approval is being obtained under Listing Rule 10.11), the issue of the Shares will not use up any of the Company's 15% annual placement capacity.

If any of Resolutions 3 to 5 are not passed, no Shares under that Resolution will be issued. In addition, the Proposed Transaction will not proceed and the Company will need to consider its future operations given that the existing debt will remain and the needed working capital will not be available.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolutions 3 to 5:

(a) the Shares will be issued to:

  (i) Resolution 3 – William Blackburn;

  (ii) Resolution 4 – Paul Stenson; and

  (iii) Resolution 5 – Robert Brookins,

(or their respective nominees), who each falls within the category set out in Listing Rule 10.11.1 described above;

(b) the maximum number of Shares to be issued are:

(i) Resolution 3 – 12,000,000;

(ii) Resolution 4 – 11,500,000; and

(iii) Resolution 5 – 3,850,000;

(c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Shares will be issued on the same date;

(e) the issue price will be $0.013 per Share, being the same issue price as Shares issued to other participants in the Placement and the Entitlement Issue. The Company will not receive any other consideration for the issue of the Shares;

(f) the purpose of the issue is to assist the Company in meeting the minimum requirements for the conversion of its debt under the convertible notes and to raise working capital to assist with its ongoing business growth and development;

(g) the Shares to be issued are not intended to remunerate or incentivise the Director;

(h) the Shares are being issued under the terms of subscription agreements summarised in Schedule 2; and

(i) a voting exclusion statement is included in Resolutions 3 to 5 of the Notice.

GLOSSARY

$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

BDO means BDO Corporate Finance (East Coast) Pty Ltd.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Colinton means Colinton Capital Partners Pty Ltd.

Colinton Associates has the meaning given in Section 2.3.1.

Colinton Fund means Colinton Capital Partners Fund I (A) Pty Ltd as trustee of the Colinton Capital Partners Fund I (A) Fund.

Company means Alexium International Group Limited (ACN 064 820 408).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Independent Expert means BDO Corporate Finance (East Coast) Pty Ltd.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proposed Transactions means the transactions described and outlined in Section 1.1.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

SILOS has the meaning given to that term in Section 1.6.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PRO FORMA BALANCE SHEET AS AT 31 DECEMBER 2023

	31-Dec-23 US$	Proforma Balance 31-Dec-23 US$
Current Assets		
Cash and cash equivalents	1,756,073	2,823,724
Trade and other receivables	544,645	544,645
Inventories	445,384	445,384
Other current assets	48,988	48,988
Total Current Assets	2,795,090	3,862,742
Non-Current Assets		
Other financial assets	16,671	16,671
Property, plant and equipment	613,744	613,744
Intangible assets	1,594,874	1,594,874
Right of use asset	410,433	410,433
Total Non-Current Assets	2,635,722	2,635,722
Total Assets	5,430,812	6,498,464
Current Liabilities		
Trade and other payables	585,364	585,364
Lease liabilities	146,372	146,372
Borrowings	599,538	599,538
Total Current Liabilities	1,331,274	1,331,275
Non-Current Liabilities		
Borrowings	5,788,071	-
Derivative liability	862,460	-
Lease liabilities	525,068	525,068
Total Non-Current Liabilities	7,175,599	525,068
Total Liabilities	8,506,873	1,856,342
Net Assets	(3,076,061)	4,642,121
Equity		
Contributed equity	66,721,052	74,655,204
Reserves	(1,509,072)	(1,497,670)
Accumulated losses	(68,288,042)	(68,515,413)
Total Equity	(3,076,061)	4,642,121

SCHEDULE 2 – SUMMARY OF MATERIAL AGREEMENTS

PART 1: DEFINED TERMS

Unless defined elsewhere in this Notice, capitalised terms in Schedule 2 have the following meaning:

Recapitalisation Transactions means the Entitlement Offer, the Underwriting Agreements and the Subscription Agreements for the purpose of undertaking a recapitalisation of the Company, as further detailed in Section 1.1 of the Notice.

Subscription Agreement means the agreements entered into by the Company for the subscription for Shares as part of the Placement, as summarised in part 5 for Schedule 2.

Underwriting Agreements means the underwriting agreements entered into by the Company with Colinton (for an underwritten amount of $2 million) and Wentworth Williamson (for an underwritten amount of $1.5 million) for the purpose of the Entitlement Offer, as summarised in part 4 of Schedule 2.

PART 2. BRIDGING LOAN

The material terms and conditions of the Bridging Loan are summarised below:

ADVANCE	On 27 December 2023, Colinton provided the Company with a $2 million bridging loan for the purposes of meeting the Company's working capital expenses while it pursued the Proposed Transactions.
INTEREST	Subject to the satisfaction of the offset conditions (detailed below), interest shall be applied to the loan at 15% per annum compounded on the first day of each calendar quarter and either: (a) is payable on the last day on each calendar quarter during the term of the Bridging Loan; or (b) will be capitalised on the day immediately following the last day on each calendar quarter during the term of the Bridging Loan, at the election of the Company.
RIGHT TO OFFSET	The loan (excluding interest) will be offset against Colinton's obligation to subscribe for Shares arising under the Recapitalisation Transaction (**Offset**). The value of Shares issued to Colinton pursuant to the Recapitalisation Transactions (at a deemed issue price of $0.013 per Share) will be deemed to have satisfied the Company's obligations to repay the loan. The Offset will be subject to and conditional upon the satisfaction of each of the following conditions: (a) Shareholders approving the issue of Shares as part of the Recapitalisation Transaction; (b) Shareholders approving Resolution1; (c) Shareholders approving all other resolutions required to implement the Recapitalisation Transaction; and (d) the Company and Colinton being satisfied, acting reasonably, that the Company will not raise less than $4,000,000 before costs and inclusive of the Bridging Loan, under the Recapitalisation Transaction. Where the conditions are not satisfied prior to 30 June 2024 the right of Offset will lapse and a 20% interest rate per annum shall be applied to the loan from 1 July 2024 until the maturity date of 23 June 2025 (**Maturity Date**).

REPAYMENT	Unless the loan has been Offset, the Company must repay to Colinton all outstanding moneys on the Maturity Date. The Company may elect to repay all (or part) of the outstanding moneys at any time after 23 June 2024 and prior to the Maturity Date without penalty.
SENIORITY	The loan is unsecured and ranks ahead of all unsecured debts incurred by the Company in terms of priority of repayment, except for the Company's working capital line of credit with Alterna Capital Solutions (refer to the Company's FY 2023 Annual Report for details).
EVENTS OF DEFAULT	Customary events of default apply including but not limited to: (a) the Company failing to pay amounts when due or to perform a material obligation (and such failure is not remedied within 14 days of notice), (b) a warranty or representation of the Company becomes false or misleading in a material respect, or (c) an insolvency event occurs with respect to the Company. Where an event of default occurs, Colinton may declare all outstanding moneys to be immediately due and payable.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

PART 3. CON NOTE CONVERSION – DEED OF SETTLEMENT AND TERMINATION

Pursuant to a convertible note agreement dated on or about 24 December 2019 (as amended and restated on 28 December 2022) (**CN Agreement**), the Company issued Colinton Fund a convertible note (**Convertible Note**) which, as at the date of this Notice, has a face value of $7,000,000 plus outstanding accrued interest (**Indebtedness**).

Pursuant to a deed of settlement and termination dated 23 December 2023, the parties agreed that the Indebtedness would be converted to equity and that on and from the date of conversion (**Effective Date**), (i) the Indebtedness would be deemed repaid, (ii) the CN Agreement would be terminated and (iii) the parties will mutually release each other from any future claims in connection with the CN Agreement.

The material terms and conditions of the deed of settlement and termination are summarised below:

CONVERSION	The parties agreed that, subject to the satisfaction of the conditions detailed below, the Indebtedness will be converted into Shares at a conversion price of $0.015 per Share.
CONDITIONS TO CONVERSION	Conversion of the Indebtedness into Shares will be subject to and conditional upon the satisfaction of each of the following conditions prior to 30 June 2024: (a) Shareholders approving Resolution 1; (b) Shareholders approving all other resolutions required to implement the Recapitalisation Transaction; (c) Completion of the Recapitalisation Transaction; and (d) The Company and Colinton being satisfied, acting reasonably, that the Company will raise at least $4,000,000, before costs and inclusive of the Bridging Loan, under the Recapitalisation Transaction.
TERMINATION AND RELEASE	On and from the Effective Date: (a) the CN Agreement is terminated and will be of no further force or effect; (b) the Indebtedness is treated as extinguished; and (c) the parties mutually release each other from any future claims in connection with the CN Agreement.
COVENANT NOT TO SELL	Colinton Fund covenants that it will not sell or otherwise dispose of any Shares received pursuant to the Con Note Conversion for the period of 12 months commencing on the date of issue of the conversion Shares.

The deed otherwise contains terms and conditions considered standard for a deed of this nature.

PART 4. UNDERWRITING AGREEMENTS

The Company has entered into Underwriting Agreements with Wentworth Williamson and Colinton (together the **Underwriters** and each an **Underwriter**), pursuant to which Colinton has agreed to underwrite $2 million (153,846,154 Shares) of the Entitlement Offer and Wentworth has agreed to underwrite $1.5 million (115,384,615 Shares) of the Entitlement Offer. Each Underwriter is entering into their respective arrangements severally.

The remainder of the material terms and conditions of the Underwriting Agreements are summarised below:

FEES	No fees shall be payable to the Underwriters for performing is role as an underwriter of the Entitlement Offer.
PRIORITY OF UNDERWRITING	The underwritten Shares will be allocated as follows: (a) firstly, to Shareholders of the Company who apply for their entitlement and shortfall Shares, provided none of these Shareholders acquire a voting power above 5% as a result of the application for shortfall Shares; and (b) then to be divided between the Underwriters at a ratio equal to their respective underwriting commitments.
CONDITIONS PRECEDENT	(a) The Underwriting Agreements are conditional upon: (i) the Company releasing to ASX the investor presentation materials and appendix 3B in accordance with the Entitlement Offer timetable (**Timetable**); (ii) the Company dispatching to its Shareholders the Entitlement Offer prospectus (**Prospectus**) in accordance with the Timetable; (iii) delivery to the directors of the Company of all due diligence materials in accordance with the Timetable; (iv) ASX confirming the Company can proceed with the Entitlement Offer in accordance with the Timetable; (v) the Company delivering to the Underwriters a duly executed certificate in accordance with the Timetable confirming that the Company has complied in all respects with its obligations under the Underwriting Agreements and that all warranties and representations provided by the Company remain true and correct in all material respects (**Certificate**); (vi) ASX not indicating that it will not grant permission for the official quotation of the new shares in accordance with the Timetable; and (vii) the Company receiving all requisite Shareholder approvals to undertake the Recapitalisation Transaction and Con Note Conversion. (b) If the conditions are not satisfied or waived by their due dates (and times), or in the reasonable opinion of an Underwriter becomes incapable of satisfaction, by their respective deadlines, each Underwriter may terminate its respective Underwriting Agreement.
SUB-UNDERWRITING	The Underwriters may appoint sub-underwriters to sub-underwrite their respective underwritten amount of Entitlement Offer. The appointment of any sub-underwriter and the allocation of any underwritten securities is at the sole discretion of each Underwriter.

COLINTON OFFSET	The Bridging Loan provided by the Colinton to the Company shall be offset against Colinton's underwriting commitment, such that the amount required to be paid by Colinton to subscribe for shortfall Shares will act to reduce the Bridging Loan by the same amount and the offset will satisfy Colinton's obligation to pay for its relevant portion of shortfall Shares under its Underwriting Agreement.
TERMINATION EVENTS	The Underwriter may terminate its obligations under the Underwriting Agreement if: (a) the All Ordinaries Index or the S&P/ASX Small Ordinaries Index is 15% or more below its respective level on any two (2) consecutive days of trading prior to the date of the Underwriting Agreement and up until the issue of Shares under the Entitlement Offer; (b) the Company does not lodge the Prospectus in accordance with the Timetable or the Entitlement Offer is withdrawn; (c) the Underwriter reasonably forms the view that a supplementary prospectus must be lodged with ASIC and the Company does not lodge such a document as requested; (d) the Company lodges a supplementary prospectus without the prior written agreement of the Underwriter; (e) the Prospectus does not contain all information that investors and their professional advisers would reasonably require; (f) the Prospectus contains a statement that is misleading or deceptive or is likely to mislead or deceive, or there is an omission from the Prospectus or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the prospectus is or becomes misleading or deceptive or likely to mislead or deceive; (g) the Certificate is not provided or a statement in the Certificate is untrue, incorrect or misleading or deceptive; (h) either of the Underwriters lawfully terminate their respective Underwriting Agreement; (i) the Company withdraws the Entitlement Offer (or any part of it); (j) there is an event or occurrence which makes it illegal for the Underwriter to satisfy the obligations under the Underwriting Agreement, or to market, promote or settle the Entitlement Offer; (k) ASIC or any other person proposes to conduct any enquiry, investigation or proceedings, or to take any regulatory action or to seek any remedy, in connection with the Entitlement Offer or the prospectus, or publicly foreshadows that it may do so; (l) the Company is prevented from issuing the underwritten Shares within the time required; (m) any statement or estimate in the Prospectus which relates to a future matter is or becomes incapable of being met or, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe; (n) any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the prospectus, withdraws that consent; (o) the Company fails to lodge an appendix 3B in relation to the underwritten Shares by the time required; (p) the Company ceases to be admitted to the official list of ASX or the Shares are suspended from trading on, or cease to be quoted on ASX;

(q) an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the prospectus;

(r) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act;

(s) any authorisation which is material to anything referred to in the prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;

(t) ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the prospectus to determine if it should make a stop order in relation to the prospectus or ASIC makes an interim or final stop order in relation to the prospectus under Section 739 of the Corporations Act;

(u) a director or senior manager of the Company or of any of its subsidiaries (**Relevant Company**) is charged with an indictable offence;

(v) there is an outbreak of hostilities or a material escalation of hostilities after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union other than hostilities involving Libya, Afghanistan, Iran, Syria, Lebanon or Israel and the Underwriter believes, on reasonable grounds, that the outbreak or escalation is likely to result in the S&P ASX200 Index falling by 15%;

(w) default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;

(x) any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect in a material respect;

(y) the Company or any of its directors or officers are engaging in, or have engaged in, any fraudulent conduct or activity whether or not in connection with the Entitlement Offer;

(z) a material contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation;

(aa) an event occurs which gives rise to a material adverse effect or any adverse change or any development after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company;

(bb) without the prior approval of the Underwriters a public statement is made by the Company in relation to the Entitlement Offer or the Prospectus, other than a statement the Company is required to make in order to comply with its disclosure obligations;

(cc) any information supplied by the Company or any person on its behalf to the Underwriter in respect of the Entitlement Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;

(dd) the official quotation is qualified or conditional, or is not granted, or ASX makes an official statement to any person or indicates to the Company or the Underwriter that official quotation of the Underwritten Securities will not be granted;

(ee) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any act or prospective act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreements;

(ff) a prescribed occurrence occurs other than as disclosed in the Prospectus;

(gg) the Company suspends payment of its debts generally;

(hh) an event of insolvency occurs in respect of a Relevant Company;

(ii) a judgement in an amount exceeding $200,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;

(jj) litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against any Relevant Company except as disclosed in the Prospectus;

(kk) there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the underwritten Shares without the prior written consent of the Underwriter;

(ll) a director of the Company is charged with an indictable offence, or any regulatory body commences any public action against the director in his or her capacity as a director of the Company or announces that it intends to take any such action, or the director is disqualified from managing a corporation

(mm) there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Entitlement Offer or a matter disclosed in the Prospectus) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;

(nn) any date in the Timetable is not met for more than two (2) business days otherwise than as the direct result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the prior consent of the Underwriter);

(oo) a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of seven (7) days occurs;

(pp) a Relevant Company passes or takes any steps to pass a resolution under sections 254N, 257A or 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;

(qq) any Relevant Company alters its capital structure in any manner not contemplated by the prospectus;

(rr) any of the Contracts are terminated or substantially modified; or

(ss) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

	For the events from paragraph (v) to (ss) above, the Underwriter may only terminate the Underwriting Agreement if in their reasonable opinion, it has or is likely to have, or those events together have, or could reasonably be expected to have, a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act.

The Underwriting Agreement otherwise contains undertakings and provisions in relation to the conduct of the Entitlement Offer and other provisions consistent with an underwriting agreement of this nature.

PART 5. SUBSCRIPTION AGREEMENTS

The Company has entered into subscription agreements with the following parties (together, the **Investors** and each, an **Investor**), pursuant to which each Investor has agreed to subscribe for Shares:

(a) Colinton ($2 million, 153,846,154 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 1;

(b) Wentworth Williamson ($1.5 million, 115,384,615 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 2;

(c) Lucky Pom Pty Ltd <Grayson A/C> ($78,000, 6,000,000 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 2;

(d) N & G Proprietary Limited <N & G TD Super Fund A/C> ($130,000 million, 10,000,000 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 2;

(e) William Timonthy Blackburn Jr ($156,000, 12,000,000 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 3,

(f) Paul Stenson ($149,500, 11,500,000 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 4; and

(g) Robert Brookins ($50,050 million, 3,850,000 Shares), issue of Shares is subject to Shareholder approval pursuant to Resolution 5.

The subscription agreements contain the following material terms and conditions:

SUBSCRIPTION	Subject to the satisfaction of the conditions precedent (set out below), the Investors agree to subscribe for their respective Shares at an issue price of $0.013 per Share. Colinton's and Wentworth Williamson's obligation to subscribe for Shares will be offset by any Shares issued to the Investor under its Underwriting Agreement. In addition, with respect to Colinton's subscription agreement, the parties have agreed that Colinton may offset the Bridging Loan against its obligation to subscribe for Shares, such that the amount required to be paid by Colinton for its Shares will act to reduce the Bridging Loan by the same amount and the offset will satisfy Colinton's obligation to pay for the subscription Shares.
CONDITIONS PRECEDENT	Completion of the subscription for the Subscription Shares is conditional on the satisfaction of the following conditions: (a) the Company obtaining Shareholder approval for the issue of the Subscription Shares to the Investors (as detailed above); (b) Shareholders approving Resolution 1; (c) all conditions in the Subscription Agreement have been satisfied or waived; (d) Shareholder approval to undertake the Recapitalisation Transaction and Con Note Conversion; (e) the Company and the Investor being satisfied, acting reasonably, that the Company will raise not less than $4,000,000, before costs and inclusive of the Bridging Loan provided to the Company by Colinton, under the Recapitalisation Transaction. If any of the conditions are not satisfied or waived by 30 June 2024, the Investor may terminate the Subscription Agreement.

TERMINATION	If either the Company or an Investor fails or is unable to complete or satisfy a requirement under the Subscription Agreement, the other party may terminate the Subscription Agreement.
USE OF FUNDS	The Company and the Investor agree that the subscription amount will be used for general working capital purposes.

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

ALEXIUM INTERNATIONAL GROUP LIMITED

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE

13 FEBRUARY 2024

PRIVATE AND CONFIDENTIAL

FINANCIAL SERVICES GUIDE

Dated: 13 February 2024

This Financial Services Guide (‘**FSG**’) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (‘**BDOCF**’, ‘**we**’, ‘**us**’, ‘**our**’).

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420;
- Remuneration that we and/or our staff and any associates receive in connection with the financial services;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us approximately A$67,500 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance (East Coast) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details outlined below.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (‘**AFCA**’). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out below:

Contact Details
Address: Level 11, 1 Margaret Street Sydney, NSW 2000, Australia
Email: cf.ecp@bdo.com.au
Phone: +61 2 9521 4100
Fax: +61 2 9240 9821

CONTENTS

BDO

GLOSSARY

Reference	Definition
A$ or $	Australian dollars
ABV	Asset-Based Valuation
Alexium	Alexium International Group Limited
ANZ	Australia and New Zealand
APES 225	Accounting Professional and Ethical Standards Board professional standard APES 225 *Valuation Services*
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance (East Coast) Pty Ltd
Board	The board of directors of the Company
CAGR	Compound Annual Growth Rate
CME	Capitalisation of Maintainable Earnings
Company	Alexium International Group Limited
Colinton	Colinton Capital Partners
Convertible Note, or CN	Convertible Note issued by Alexium to Colinton with A$7 million face value
Corporations Act	The Corporations Act 2001
DCF	Discounted Cash Flow
Directors, the	The Directors of the Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBITDAFX	Earnings Before Interest, Tax, Depreciation, Amortisation and Foreign Exchange gain/(loss)
EGM	Extraordinary general meeting to be held for the voting of the Proposed Transaction
Entitlement Offer	2.035 for 5 pro rata non-renounceable entitlement offer to raise A$3.5 million for Alexium
EV	Enterprise value
FY	The financial year or 12-month period ended on 30 June
Management	The management of Alexium and its advisers
MBV	Market-Based Valuation
Notice of Meeting	Notice of Meeting published by Alexium in relation to the Proposed Transaction
NPAT	Net Profit After Tax
NPBTFX	Net profit before tax and foreign exchange gain/(loss)
PCM	Phase-change material
Placement	Equity placement to institutional and sophisticated investors of A$4.0 million at A$0.013 per share
Proposed Transaction	The proposed transaction of recapitalisation of Alexium's balance sheet
RBA	Reserve Bank of Australia
Report	This independent expert's report prepared by BDOCF and dated [29 January 2024]
RGs	Regulatory guides published by ASIC
Shareholders	The holders of fully paid ordinary shares in the Company
US	United States

Reference	Definition
US$	United States Dollar
VWAP	Volume-Weighted Average Price
We, us, our	BDO Corporate Finance (East Coast) Pty Ltd
Wentworth	Wentworth Williamson
YoY	Year-on-year

BDO

PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Shareholders
C/- The Directors
Alexium International Group Limited
350 West Phillips Road
Greer, SC 29650

13 February 2024

Dear Shareholders,

1.0 Introduction

BDO Corporate Finance (East Coast) Pty Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('IER', 'this Report') to the non-associated shareholders (the 'Shareholders') of Alexium International Group Limited ('Alexium' or the 'Company') in relation to the proposed recapitalisation of its balance sheet ('Proposed Transaction'), which is expected to involve the following interdependent steps:

a. Minimum equity placement to institutional and sophisticated investors of approximately A$4.0 million at A$0.013 per share ('Placement'), a 7% discount to closing price of A$0.014 on the day prior to the announcement of the Proposed Transaction;

b. The directors and key management of Alexium (including Chief Executive Officer Billy Blackburn and Chief Technology Officer Bob Brookins), along with some sophisticated investors agreeing to subscribe for approximately A$0.5 million of the Placement;

c. A 2.035 for 5 pro-rata non-renounceable entitlement offer to raise A$3.5 million ('Entitlement Offer'), fully underwritten by Alexium's two largest shareholders, Colinton Capital Partners ('Colinton') and Wentworth Williamson ('Wentworth'); and

d. The issue of equity to Colinton to retire the outstanding Convertible Note ('Convertible Note' or 'CN') and accrued interest thereon at a proposed share price on exchange of A$0.015 per share, a 7% premium to the closing price of A$0.014 and a 15% premium to the new equity issuance price.

A more detailed description of the Proposed Transaction is set out in Section 4.0.

The Proposed Transaction is to be implemented pursuant to item 7 of Section 611 of the Corporations Act 2001 (Cth) (the 'Act'), which allows members to approve an acquisition of relevant interests in voting shares that would otherwise contravene the prohibitions in Section 606 of the Act. Section 606 prohibits the acquisition of a relevant interest in voting shares if, because of that transaction, a person's voting power in the company increases from under 20% to over 20%, or increases from a starting point that is above 20% and below 90%.

As a result of the Proposed Transaction, Colinton's interest in Alexium will become greater than 20%, which will require shareholder approval.

The Directors of Alexium have engaged BDO to prepare this Report to assist shareholders to vote on the Proposed Transaction. The Report has been prepared in accordance with the requirements of the Corporations Act, Regulatory Guides issued by the Australian Securities and Investments Commission (ASIC) and relevant ASX Listing Rules.

Eligible shareholders will be entitled to vote on the Proposed Transaction at the extraordinary general meeting ('EGM') proposed to be held on or around March 2024.

In this Report, BDOCF has expressed an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Shareholders. This Report has been prepared solely for use by the Shareholders to provide them with information relating to the Proposed Transaction.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Shareholders, including the notice of meeting prepared by Alexium dated on or about February 2024 (the 'Notice of Meeting') and additional documents prepared by Alexium.

2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- Section 2.1 sets out the methodology for our assessment of the Proposed Transaction;
- Section 2.2 sets out our assessment of the fairness of the Proposed Transaction; and
- Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction.

2.1 Basis of Evaluation

The Directors are seeking approval from the Shareholders of Alexium pursuant to the following requirements:

- Section 611, item 7 of the Corporations Act 2001 (Cth) ('the Act'); and
- ASX Listing Rule Chapter 7 Changes in Capital and New Issues.

In preparing our IER, we have considered the requirements of the following regulatory guides issued by the Australian Securities and Investments Commission ('ASIC'):

- Regulatory Guide 111: Content of expert reports ('RG 111'); and
- Regulatory Guide 112: Independence of experts ('RG 112').

ASIC have issued Regulatory Guide 111: Content of Expert Reports ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to an acquisition. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Proposed Transaction involves recapitalisation of Alexium's balance sheet through exchange of Colinton's Convertible Notes for ordinary equity, plus an equity raise via the Entitlement offer and Placement. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Proposed Transaction is similar to a control transaction as defined by RG 111 by virtue of Colinton acquiring an interest in Alexium of greater than 20%.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the transaction. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is approved with the position of the shareholders if the offer is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we have assessed the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium.

In our view, it is appropriate to assess the fairness of the Proposed Transaction to the Shareholders as follows:

a) The fair market value of an Alexium share pre-transaction on a control basis; and

b) The fair market value of an Alexium share post-transaction on a minority basis.

The Proposed Transaction can be considered 'fair' to the Shareholders if the price of Placement is equal to or greater than the value of an Alexium share post-transaction on a minority basis, and the value of an Alexium share post-transaction on a minority basis is equal to or greater than the value of an Alexium share pre-transaction on a control basis.

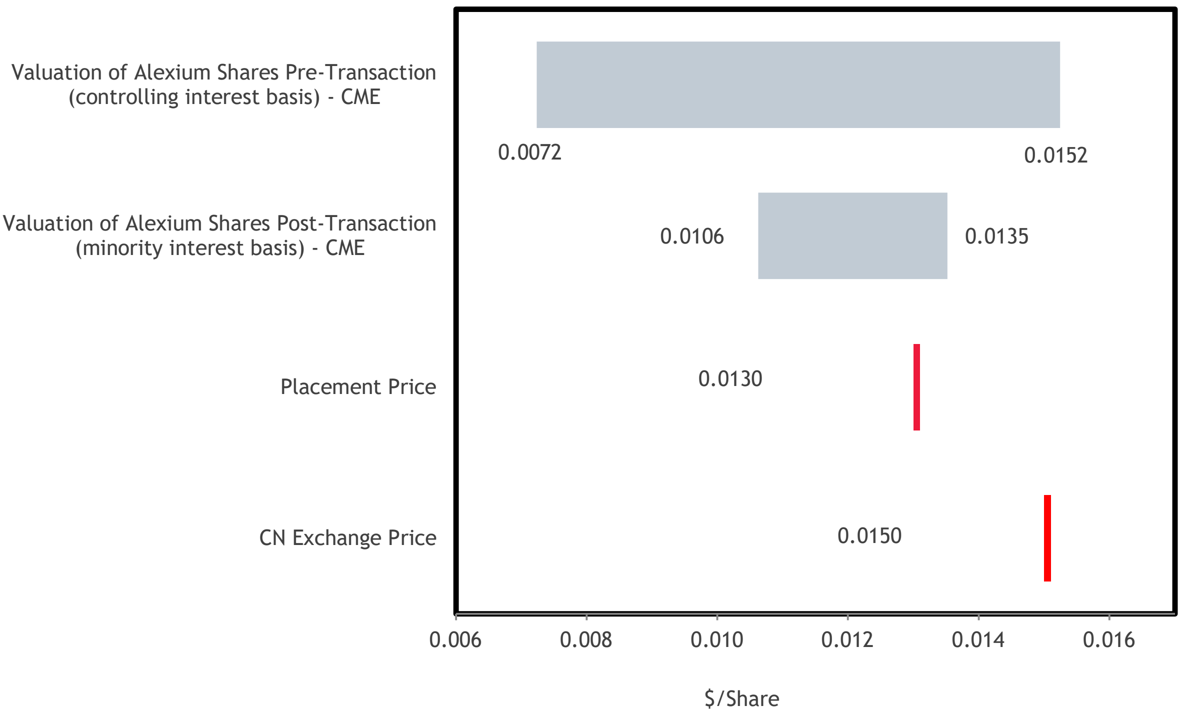
2.2.2 Value of a Share Prior to and After the Proposed Transaction

We adopted a capitalised maintainable earnings ('CME') valuation methodology based on enterprise value to revenue multiples as our primary valuation methodology. We adopted a market-based valuation ('MBV') approach, specifically Alexium's ASX trading prices, as a secondary cross-check.

In our view, the value of Alexium before the Proposed Transaction is in the range of A$0.0072 to A$0.0152 per share on a controlling interest basis, and the value of Alexium after the Proposed Transaction is in the range of A$0.0106 to A$0.0135 per share on minority basis.

Our valuation of Alexium is set out in Section 8.0, while a summary is presented below.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF analysis

We have determined a range of values for a share in Alexium before and after the Proposed Transactions. In accordance with ASIC guidance, the fairness of the Proposed Transactions requires an assessment of the respective value ranges.

In general, where value ranges overlap and no point within the range is considered more appropriate than any other, this indicates that there is an equivalency of value at certain points within the valuation ranges. In such circumstances, an expert may opine that an offer is 'fair'.

However, where the valuation ranges before and after the transactions have been determined on a consistent basis, and the post-transaction valuation of the securities merely incorporate valuation adjustments to reflect the transaction itself (as is the case here with the proposed balance sheet recapitalisation), then it may be appropriate to conclude on fairness based on the relative valuation ranges and the respective highs and lows, given they are directly comparable.

We have valued Alexium before and after the Proposed Transactions on a consistent basis. That is, we have valued Alexium using the capitalisation approach (revenue multiples) both before and after the Proposed Transactions. Accordingly, we consider it appropriate to compare the value ranges, and the respective highs and lows, of Alexium before and after the Proposed Transactions.

On this basis, we note that the post-transaction value range of Alexium (on a minority basis) falls within the pre-transaction value range (on a control basis). Accordingly, the Proposed Transactions are considered fair to the Shareholders of Alexium.

We note that the pre-transaction valuation range is relatively wide, and then narrows on a post-transaction basis. This is largely due to the amount of debt carried by Alexium before the Proposed Transactions, a significant portion of which is exchanged for equity through the Proposed Transaction. The post-transaction valuation range also narrows due to the value attributed to the Placement, at the single value of A$0.013 per share.

In our view, the fairness of the Proposed Transaction is also supported by the following:

- The Convertible Note exchange price falls at the top of our valuation range (a premium of approximately 15% premium to the Placement price), which provides a net benefit to the non-associated shareholders of Alexium); and
- The proposed Placement price falls broadly around the midpoint of or valuation range, which minimises dilution to the Alexium shareholders.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information or a superior offer, the Proposed Transaction is **Fair** to the Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- Section 2.3.2 sets out the advantages of the Proposed Transaction to the Shareholders;
- Section 2.3.3 sets out the disadvantages of the Proposed Transaction to the Shareholders;
- Section 2.3.4 sets out the position of the Shareholders if the Proposed Transaction is not approved; and
- Section 2.3.5 provides our opinion on the reasonableness of the Proposed Transaction to the Shareholders.

2.3.2 Advantages of the Proposed Transaction

Table 2.1 below outlines the potential advantages to the Shareholders of approving the Proposed Transaction.

Table 2.1: Potential Advantages of the Proposed Transaction

Advantage	Explanation
The Proposed Transaction is fair	As set out in Section 2.2 above, the Proposed Transaction is fair to the Shareholders as at the date of this Report. RG 111 states that an offer is reasonable if it is fair.
The debt for equity refinancing of outstanding CN removes short to medium-term interest burden and refinancing concerns of Alexium	Alexium can increase its capital, reduce debt on its books and relieve the interest burden of the CN (in FY24, coupon interests of the CN are approximately A$950k), which will support the company's path to profitability.
The capital raise will strengthen the Company's balance sheet to support the Company's growth plans	The transactions will allow Alexium to strengthen the Company's balance sheet to support plans to realise potential opportunities arising from the Company's proprietary technical innovations in a broad range of potential markets.
No brokerage charges	The Shareholders will not incur any brokerage charges or other fees if the Proposed Transaction is approved.
The Placement is at a discount to the price that Alexium shares have traded on the ASX prior to the announcement date of the Proposed Transaction	As outlined in Section 5.4, recent ASX trading of Alexium shares has been at VWAPs in the range of A$0.0146 (7-day trading period VWAP prior to 26 December 2023) to A$0.0160 (180-day trading period VWAP prior to 26 December 2023). The Placement subscription price of A$0.013 per share is at discount to the price that Alexium shares have traded on the ASX prior to the announcement of the Proposed Transaction.
The exchange price for the CN is at premium to the Placement price and 7-day VWAP trading prices	Exchanging the CN for equity at a price that is greater than the Placement price and the 7-day VWAP prior to the announcement of the Proposed Transaction provides a benefit to non-associated shareholders. Specifically, Colinton is effectively paying a 15% premium relative to other shareholders that participate in the Placement. At the expected CN face value plus accrued interest balance of A$8.3 million as at 15 May 2024 (the expected close of the Proposed Transaction), this equates to a premium (or value to other shareholders) of approximately A$1.27 million.

Advantage	Explanation
Shareholders have the option to participate in the Entitlement Offer, but not an obligation, and the Entitlement Offer is fully underwritten	Shareholders who participate in the Entitlement Offer will not be diluted. However, should any shareholders decide not to participate, Alexium still has certainty over the capital raise given the Entitlement Offer is fully underwritten by Colinton and Wentworth.

2.3.3 Disadvantages of the Proposed Transaction

Table 2.2 below outlines the potential disadvantages to the Shareholders of approving the Proposed Transaction.

Table 2.2: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The exchange price of the CNs is below the conversion price of A$0.03, as per the current contractual terms of the CNs	Converting the CN's at the current contractual conversion price of A$0.03 would be less dilutive to non-associated shareholders. However, given the current market share price level, Colinton has no incentive to do so as the converted share would be worth less than half of the original conversion price of A$0.03 per share. The board of Alexium negotiated to convert the CN at a price of A$0.015, a slight premium to the 7-day VWAP prior to announcing the Proposed Transaction and a 15% premium to the Placement price, which provides a slight benefit to non-associated shareholders relative to a conversion at current trading prices.
Shareholders may face further dilution if they decide not to participate the Entitlement Offer	If the Proposed Transaction is approved, and Shareholders decide not to participate in the Entitlement Offer, Colinton and Wentworth as underwriters will be able to subscribe the shortfall and the level of control held by Colinton and Wentworth may increase - specifically, Colinton's interest in the equity of Alexium could increase from 12.8% to a maximum of 51.8%, while Wentworth's equity interest could increase from 8.3% to 11.2%.

2.3.4 Other Considerations

Table 2.3 below outlines other considerations we consider relevant to shareholders in voting on the Proposed Transactions, including the potential position of the Shareholders if the Proposed Transaction is not approved.

Table 2.3: Other Considerations

Position of Shareholders	Explanation
Continued shareholding in Alexium	If the Proposed Transaction is not implemented, the Shareholders will continue to hold shares in Alexium. The Shareholders will continue to be exposed to the interest burden of the Convertible Note, business risks and opportunities associated with the ownership of Alexium shares.
Interest penalty of the Bridge Loan	In addition to the participation in the CN refinancing and equity raising transactions, Colinton has provided a Bridge Loan of A$2 million ('Bridge Loan') to ensure that the Company is able to pursue significant near-term opportunities while the Company seeks the necessary shareholder approvals for the Proposed Transaction. The Bridge Loan will provide an interest "penalty" if the Proposed Transaction is not approved such that the interest rate on the Bridge Loan will increase to 20% effective on 1 July 2024 (from the initial interest rate of 15%). If the Proposed Transaction does not proceed, the loan amount A$2 million will be considered Colinton's "payment" for the placement shares and the debt is extinguished as part of the capital raise transaction. The accumulated interest on the Bridge Loan will have to be paid separately.
Non-recoverable costs	Alexium will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is implemented. Alexium will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved and/or implemented.
Prospect of a superior proposal or alternative transaction	The Directors have advised that, as at the date of this Report, a superior proposal to the Proposed Transaction has not been received by the Company and the Directors are not aware of any superior proposal that is likely to emerge.

2.3.5 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is **Reasonable** to the Shareholders as at the date of this Report.

3.0 Important Information

3.1 Read this Report, and Other Documentation, in Full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, and assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting prepared by Alexium and dated on or about February 2024.

3.2 Shareholders' Individual Circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Shareholders. Individual Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, the Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Notice of Meeting. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to the taxation implications of the Proposed Transaction, it is strongly recommended that the Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders.

This Report has been prepared at the request of the Directors for the sole benefit of the Shareholders entitled to vote, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Notice of Meeting to be sent to the Shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act, the Corporation Regulations 2001, the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- We have performed our analysis on the basis that the conditions precedent to the Proposed Transaction are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Shareholders' decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;
- ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- If the Proposed Transaction is approved, that it will be implemented in accordance with the stated terms;
- The legal mechanism to implement the Proposed Transaction is correct and effective;

- There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us; and
- Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Alexium has engaged other advisors in relation to those matters.

Alexium has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity, including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of the information provided by the Board, executives and management of Alexium.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Regulations, RGs and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 2.0 and 3.0.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the scheme meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Alexium. BDOCF is not responsible for updating this Report following the EGM or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Alexium recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Alexium, its Management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Shareholders.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of Management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the accuracy of the information we have relied on. However, in many cases the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us for the purpose of this Report, that all information and documents furnished by Alexium (either by Management directly or through its advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Alexium has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('A$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- Alexium annual reports for the year ended 30 June 2021, 2022 and 2023;
- Alexium management account for 6 months ended 31 December 2023
- Alexium ASX announcements;
- Draft Notice of Meeting dated [29 January 2024];
- S&P Capital-IQ;
- Bloomberg;
- Other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents provided by the Management of Alexium and their advisors; and
- Discussions and other correspondence with Alexium management and their advisors.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from the Company's Management and is adopted by the Directors in order to provide us with a guide to the potential financial performance of Alexium. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecasts may be material.

The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Alexium. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Alexium has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Stephen Seear and Martin Emilson have prepared this Report with the assistance of staff members. Mr Seear, BCom (Hons), CA, ICAA Business Valuation Specialist, and Mr Emilson, MSc (Industrial and Financial Economics) are partners of BDOCF. Both Mr Seear and Mr Emilson have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Seear and Mr Emilson are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance (East Coast) Pty Ltd

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Stephen Seear
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Stephen Seear
Partner

DocuSigned by:
Martin Emilson
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Martin Emilson
Partner

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 4.1 provides a brief description of the Proposed Transaction;
- Section 4.2 describes the key parties involved in the Proposed Transaction;
- Section 4.3 summarises the conditions precedent to the Proposed Transaction; and
- Section 4.4 details the rationale for the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Shareholders should refer to the Notice of Meeting and any subsequent disclosures for additional information relating to the Proposed Transaction and the key parties involved.

4.1 Summary of the Proposed Transaction

On 27 December 2023, Alexium announced a proposed recapitalisation of its balance sheet, which is expected to involve the following interdependent steps:

a. A Placement to institutional and sophisticated investors of at least A$4.0 million at A$0.013 per share, a 7% discount to closing price of A$0.014 on the day prior to the announcement of the Proposed Transaction;

b. The directors and key management of Alexium (including Chief Executive Officer Billy Blackburn and Chief Technology Officer Bob Brookins), along with some sophisticated investors agreeing to subscribe for approximately A$0.5 million of the Placement;

c. A 2.035 for 5 pro-rata non-renounceable Entitlement Offer to raise A$3.5 million, fully underwritten by Alexium's two largest shareholders, Colinton and Wentworth;

d. The issue of equity to Colinton to retire the outstanding Convertible Note and accrued interest thereon at a proposed share price on exchange of A$0.015 per share, a 7% premium to the closing price of A$0.014 and a 15% premium to the new equity issuance price.

In addition to the Proposed Transaction, Colinton has provided a A$2.0 million Bridge Loan to allow Alexium to execute its business plan and strategy whilst seeking Shareholder approval for the Proposed Transaction.

The Shareholders should refer to the Notice of Meeting and subsequent disclosures for more detailed information in relation to the Proposed Transaction.

4.2 Description of the Key Parties involved in the Proposed Transaction

4.2.1 Alexium

Alexium is a performance materials company listed on the Australian Securities Exchange (ASX), while its headquarters and principal place of operations is South Carolina, USA. Its principal activities involve developing innovative materials with thermal regulation and humidity protection predominantly for bedding and flame-retardant materials for military and first responders.

4.2.2 Colinton Capital Partners

Colinton Capital Partners is a mid-market investment group that provides growth capital solutions to leading businesses. Colinton has approximately A$240 million of funds under management deployed across nine active portfolio companies which operate in a range of industries.

4.2.3 Wentworth Williamson

Wentworth Williamson is an independent, boutique investment manager. It invests on behalf of themselves, high-net-worth individuals, family offices and charitable foundations who have a long-term investment horizon. The focus is on delivering unique investment strategies that deliver long-term, risk-adjusted returns to its investors, with a focus on risk mitigation.

4.3 Key Conditions of the Proposed Transaction

The Proposed Transactions involving the issuance of equity are conditional upon Shareholders approving all the resolutions that are the subject of this Notice of Meeting. If any of the Resolutions are not passed, then the Proposed Transactions involving the issuance of equity will not proceed. The Bridging Loan has been provided by Colinton and will remain in place; however, the interest rate will increase from 15% to 20% per annum effective 1 July 2024 should the Proposed Transaction not proceed.

4.4 Strategic Rationale for the Proposed Transaction

Alexium's independent directors have announced that they unanimously recommend the Proposed Transaction to shareholders, noting the following key features:

- The Proposed Transaction removes all short to medium-term financing concerns and interest burden from the balance sheet;
- The Convertible Note exchange provides a benefit to shareholders given that it is priced at a premium to both the closing share price and equity raise price and the shares issued in the exchange will be subject to a 12-month lock-up;
- Alexium's directors and key management (including the CEO & CTO) are aligned through their participation in the Placement;
- The Proposed Transaction has support from the Company's two largest shareholders, Colinton and Wentworth, who along with their affiliates have committed to fully underwrite the Entitlement Offer to raise A$3.5 million.

5.0 Background of Alexium

This section is set out as follows:

- Section 5.1 provides an overview and background information on Alexium;
- Section 5.2 outlines Alexium's key product lines and product strategy;
- Section 5.3 provides a high-level financial overview of Alexium;
- Section 5.4 summarises the equity structure of Alexium;
- Section 5.5 summarises the share trading data of Alexium; and
- Section 5.6 summarises the historical financial information of Alexium.

5.1 Overview

Alexium is a performance materials company listed on the ASX (ASX: AJX). The Company was founded in 2009 in Perth, Australia. It listed on the ASX in 2010 and now performs all corporate and operating activities from a single facility located in Greer, South Carolina, USA, and it focuses on the North American market.

The Company utilises contract manufacturers to produce finished goods, which allows the Company to focus its efforts on its core activities of development and commercialisation of high-performance products.

Billy Blackburn was appointed CEO & Managing Director of Alexium, effective 1 September 2022. In this transition, the former CEO, Dr. Robert Brookins, was appointed Chief Technology Officer (CTO) and remains an executive director on the Board of Alexium.

5.2 Product Portfolio and Strategy

The main product families are phase change material ("PCM") and cooling products for bedding, flame-retardant ("FR") technologies for markets such as bedding, military, and workwear, and thermal management materials (using heat dissipation and/or moisture management products) for bedding, body armour and athletic footwear. Alexium's customers are the manufacturers of the final end-use products.

Current product lines currently include the following:

- **Alexicool® PCM -** Alexicool®, part of the Company's original product lines, is a cost-effective PCM chemical finish for fabrics and foam used in bedding that absorbs heat while providing a cool feel.
- **BioCool® PCM -** BioCool® PCM is the natural, biobased PCM cooling for textile and foam bedding applications. This proprietary technology meets the United States Department of Agriculture's (USDA) criteria for biobased products. Strong support for bio-based products has seen BioCool® surpass Alexicool® as the Company's best-selling PCM product line.
- **Eclipsys® -** Perpetual cooling technology for textile and foam-based products. This patented technology is a lightweight product whose benefits include being adaptive/responsive, cooling, non-flammable, and durable. In contrast to PCM technology, which works by absorbing heat, this technology counteracts the insulative effects of foam and textiles, constantly moving heat away from the body. It also has potential applications in the thermal regulation of packaging and electronics.
- **DelCool™ -** the newest introduction to Alexium's thermal management product portfolio, was created to provide comfort to the sleeper that lasts for 8+ hours. The technology provides comfort through the regulation of humidity. Alexium is currently working on multiple bedding and pillow product development opportunities with major bedding and retail brands.
- **Alexiflam® -** Alexiflam® is a proprietary, durable and cost-effective flame-retardant treatment for cotton, linen and other cellulosic textiles. Common uses have been for fabrics for mattresses that require a flame-retardant barrier and cellulosic materials with applications covering workwear and apparel.
- **Alexiguard™ -** The Alexiguard™ supplemental treatment with Alexiflam® is compatible with a range of fabric constructions, weights, camouflage prints, and finishes for a wide variety of applications. The technology acts as a softener and flame-resistant additive.

The core technologies are adaptable to a wide variety of products and manufacturing processes, providing significant opportunity for further expansion.

In Q3 of FY2023, with a clear objective to improve the Company's sales pipeline, the Company's rolled out a revised 'Focus, Diversify and Grow' strategy with key focus areas for both business and further product development:

- **Core focus areas (70%):**
  - PCM, DelCool™ and Eclipsys® applications:

- Innerspring mattresses
- Foam mattresses
- Low-cost / high-volume mattresses ('bed-in-a-box')
- Top-of-bed pillows and mattress toppers

▸ **Adjacent focus areas (20%):**

- Alexiflam® and Alexiguard™ Applications:
  - NYCO / US Defence Force product manufacturers
  - Mattresses
- Eclipsys® applications:
  - Body armour / tactical vests

▸ **Breakthrough focus areas, i.e. potential new markets / customer verticals (10%):**

- Eclipsys® for helmets (military, law enforcement, sports)
- Eclipsys® for footwear
- Eclipsys® for electronics
- Eclipsys® and/or PCM for cold chain packaging
- Alexiflam® sold as a textile softener
- Alexiflam® for workwear and/or PPE

5.3 Financial Overview

Alexium has been operating since 2009 and has been listed on the ASX since 2010 The Company is yet to reach stable profitability. As noted in Alexium's 2023 Annual Report, the Board has advised that it is pleased with the development of the Company's sales pipeline since the CEO and CTO appointments in September 2022, and the Company remains focused on continued product development with ongoing spend on research and product development.

As summarised below, Alexium is currently a small company with relatively stable revenue, which has operated at a loss between FY2021 and FY2023 (and since inception).

Figure 5.1: Alexium's Revenue

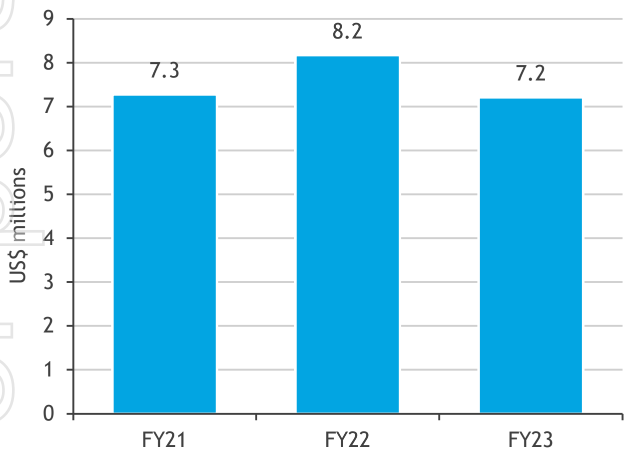
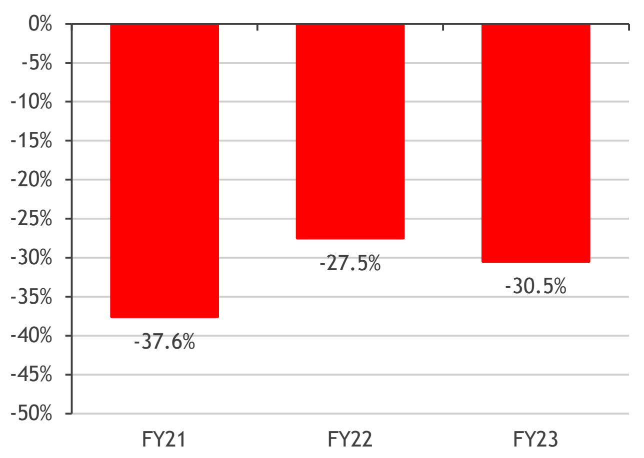


Figure 5.2: Alexium's EBIT Margin



Source: Alexium FY23 Annual Report, BDOCF Analysis

The Company has been largely funded by way of shareholder equity of US$67.7 million and cash flow from operations, and to a lesser extent from debt (i.e. the Colinton Convertible Note and a line of credit from Alterna Capital Solutions).

5.4 Equity Structure of Alexium

5.4.1 Ordinary Shares

As at 26 December 2023, Alexium had 661,210,753 ordinary shares outstanding. Substantial shareholders are set out in Table 5.2.

Table 5.1: Substantial Shareholders as at Last Practicable Date

Shareholder	Ordinary shares held	% of issued ordinary shares
Colinton	84,738,193	12.82%
Wentworth	55,188,743	8.35%

Source: AJX_Equity Raise Analysis

5.4.2 Shares to be Issued upon the Proposed Transaction

Outlined below are the equity shares to be issued in relation to the Proposed Transactions, and the minimum and maximum percentage of shares that may be held by Colinton and Wentworth.

Table 5.2: Equity shares on Issue, assuming maximum % of shares held by Colinton and Wentworth, with no eligible shareholders participating in the Entitlement Offer

	Current		to be Issued			After Proposed Transaction	
	Shares	Percentage Holding	Note Conversion	Entitlement Offer	Placement	Shares	Percentage Holding
Colinton	84,738,193	12.82%	550,753,108	153,778,729	67,424	789,337,455	51.78%
Wentworth Williamson	55,188,743	8.35%		115,334,047	50,568	170,573,358	11.19%
Other	521,283,817	78.84%			43,350,000	564,633,817	37.04%
Total Equity	**661,210,753**	**100.00%**	**550,753,108**	**269,112,776**	**43,467,993**	**1,524,544,630**	**100.00%**

Source: BDO Analysis

We note that the table above excludes shares to be issued in lieu of salary, which are not subject to shareholder approval.

With all eligible shareholders participating in the Entitlement Offer at 2.035 for every 5.0 shares held, the total number of shares issued will be 269,112,776 as shown in table 5.2 and table 5.3.

In table 5.2, if no eligible shareholders participate and take up the offer, Colinton and Wentworth will take the full number of shares of the Entitlement Offer (269,112,776 collectively), there will be a small number of shares they would still have to acquire through the Placement to equal the full number of shares to which they have committed (269,230,769 collectively). The small number of shares (67K and 51K respectively) have occurred due to rounding in the 2.035 to 5 ratio calculation for the Entitlement Offer.

Table 5.3: Equity shares on Issue, assuming minimum % of shares held by Colinton and Wentworth, with all eligible shareholders participating in the fullest extent of the Entitlement Offer at 2.035 for every 5.0 shares held

	Current		to be Issued			After Proposed Transaction	
	Shares	Percentage Holding	Note Conversion	Entitlement Offer	Placement	Shares	Percentage Holding
Colinton	84,738,193	12.82%	550,753,108		153,846,154	789,337,455	44.01%
Wentworth Williamson	55,188,743	8.35%			115,384,615	170,573,358	9.51%
Other	521,283,817	78.84%		269,112,776	43,350,000	833,746,593	46.48%
Total Equity	**661,210,753**	**100.00%**	**550,753,108**	**269,112,776**	**312,580,769**	**1,793,657,407**	**100.00%**

Source: BDO Analysis

In table 5.3, if all eligible shareholders (except Colinton and Wentworth) participate in the Entitlement Offer to the fullest extent possible to take up the shortfall from Colinton and Wentworth not participating, then Colinton and Wentworth would still acquire their full number of shares via the Placement offer. This would result in significantly more capital being raised (maximum A$7.6 million compared to the minimum of A$4.0 million)

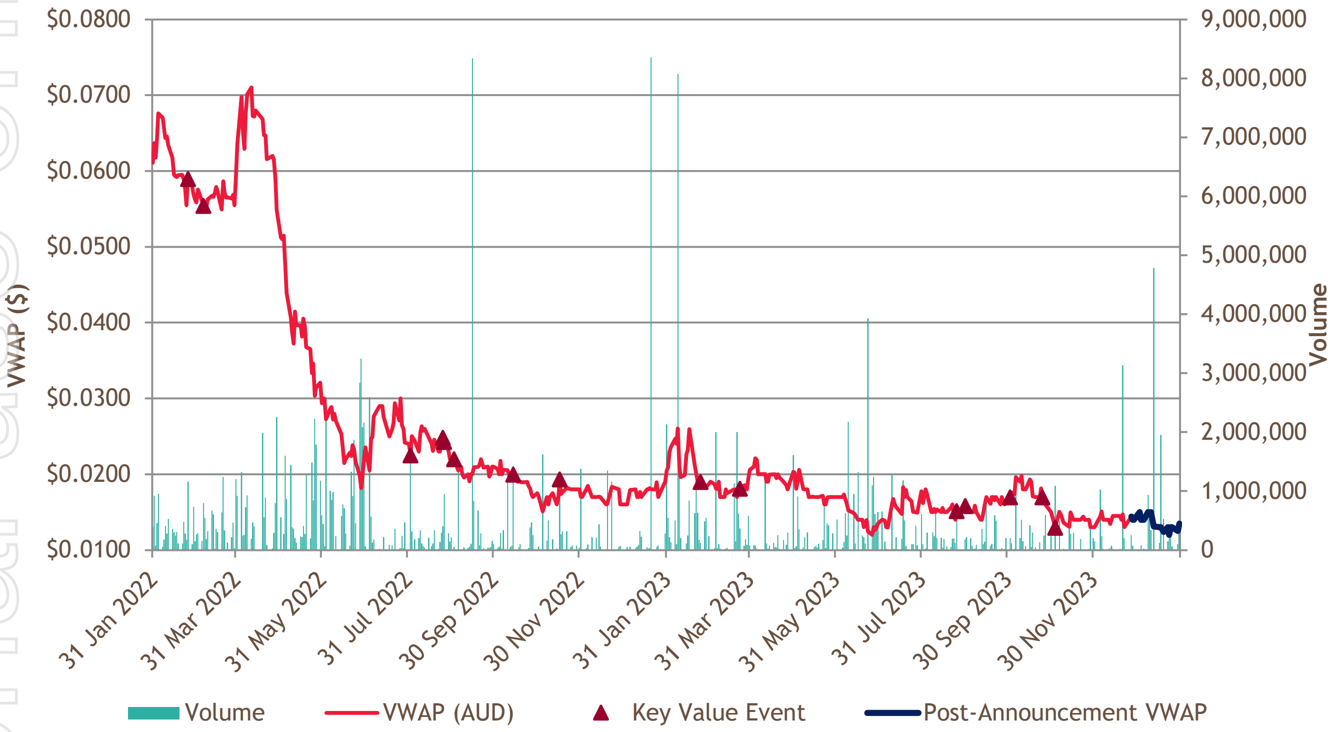
As shown above, Colinton's interest in Alexium will increase from 12.8% to between 44.01% (table 5.4) and 51.78% (table 5.3) as a result of the Proposed Transactions.

5.5 Share Trading Data of Alexium

5.5.1 Share Price Performance

Figure 5.3 displays the daily volume weighted average price ('VWAP') and daily volume of Alexium shares traded on the ASX over the period from 30 January 2022 to post-announcement date.

Figure 5.3: Daily VWAP and Volume of Alexium Shares Traded from 30 January 2022



Source: Capital IQ

Over the period to 26 December 2023, Alexium's daily VWAP displays a period low of A$0.012 on 26 June 2023 and high of A$0.071 on 11 April 2022. We have also assessed Alexium's daily VWAP from the day following the announcement of the proposed transaction, as highlighted in the graph above. Alexium's VWAP experienced a slight decline post-announcement, and the Company's shares have been traded in range of A$0.012 to A$0.015, broadly in line with the proposed Placement price and Convertible Note exchange price.

In addition to the share price and volume data of Alexium shown above, we have also provided additional information in Table 5.4 below to assist readers to understand the possible reasons for the movement in Alexium's share price over the period analysed. The selected ASX announcement references in Table 5.4 below correspond to those displayed in Figure 5.3 above.

Table 5.4: Selected Alexium ASX Announcements from 30 January 2022 to 26 December 2023

Date	Announcement
25-Feb-22	First Half, 2022 Results registering a 1H FY22 revenue growth of 98%.
8-Mar-22	H1 2022 Earnings Call
2-Aug-22	Appointment of Billy Blackburn as Chief Executive Officer, effective 1 September 2022
25-Aug-22	Auditor raises 'Going Concern' doubt
26-Aug-22	Earnings Results for FY22
2-Sept-22	William Timothy Blackburn as Director
14-Nov-22	Proposed amendment to the constitution
16-Nov-22	Approved amendment to the constitution
24-Feb-23	Earnings Results for H1 FY23
24-Mar-23	Launch of new dehumidification technology, DelCool™, in the Top-of-Bed market segment
31-Aug-23	FY23 Earnings Call
2-Oct-23	Resignation of Jason Lewis as Chief Financial Officer
25-Oct-23	Resignation of Stephen Cheney as Non-Executive Director, effective 1 November 2023
3-Nov-23	Board changes

Source: Alexium ASX Announcements

5.5.2 Liquidity of Alexium Shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments. This is particularly dependent on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.5 summarises the monthly liquidity of Alexium shares in the 12-month period to 26 December 2023.

Table 5.5: Liquidity of Alexium shares on the ASX

Month	Volume	Value (A$)	Monthly VWAP	Shares Outstanding	Volume per Shares Outstanding
December 2023 (to 26)	4,912,080	71,282	$0.0145	659,241,680	0.75%
November 2023	3,450,580	46,889	$0.0136	658,257,140	0.52%
October 2023	4,550,580	82,777	$0.0182	657,875,620	0.69%
September 2023	3,587,690	57,903	$0.0161	651,389,760	0.55%
August 2023	3,545,050	54,509	$0.0154	651,389,760	0.54%
July 2023	5,604,320	91,590	$0.0163	651,389,760	0.86%
June 2023	14,562,170	200,340	$0.0138	651,389,760	2.24%
May 2023	6,075,420	111,398	$0.0183	651,389,760	0.93%
April 2023	2,598,040	51,202	$0.0197	651,389,760	0.40%
March 2023	7,749,250	139,085	$0.0179	646,113,340	1.20%
February 2023	16,052,350	379,344	$0.0236	645,527,070	2.49%
January 2023	11,848,030	218,111	$0.0184	645,527,070	1.84%
December 2022	5,058,060	86,483	$0.0171	645,527,070	0.78%
Total Pre-Transaction	89,593,620	1,590,913	$0.0178	651,038,100	13.76%

Source: S&P Capital-IQ

Assuming a weighted average number of shares of 651,083,100 Alexium has on issue over the period from December 2022 to the date of announcement of the Proposed Transaction, approximately 14% of the total number of shares on issue were traded. In our view, this indicates that Alexium's shares display a moderate level of liquidity.

5.6 Historical Financial Information of Alexium

This section sets out the historical financial information of Alexium, in the reported currency of US dollars. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Alexium's annual reports, including the full Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Statements of Cash Flows.

Alexium's financial statements have been audited by Grant Thornton Audit Pty Ltd. BDOCF has not performed any audit or review of any type on the historical financial information of Alexium and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.6.1 Statements of Profit or Loss and Other Comprehensive Income

Table 5.6 summarises the Consolidated Statement of Profit or Loss and Other Comprehensive Income of Alexium for the 12-month periods ended 30 June 2021, 30 June 2022 and 30 June 2023, and for the 6-month period ended 31 December 2023.

Table 5.6: Alexium's Consolidated Statement of Profit or Loss and Other Comprehensive Income

US$	FY21	FY22	FY23	1H FY24
Revenue	7,276,399	8,174,937	7,210,574	2,766,427
Cost of sales	(4,634,492)	(4,845,222)	(4,388,973)	(1,540,501)
Gross Profit	**2,641,907**	**3,329,715**	**2,821,601**	**1,225,926**
Administrative expenses	(3,388,087)	(3,365,866)	(3,607,981)	(1,786,624)
Sales and marketing expenses	(1,058,579)	(846,727)	(524,222)	(156,888)
Research and development costs	(814,220)	(1,177,513)	(630,584)	(446,667)
Other expenses	(116,287)	(187,703)	(256,897)	(107,939)
Operating expenses	**(5,377,173)**	**(5,577,809)**	**(5,019,684)**	**(2,498,118)**
EBIT	**(2,735,266)**	**(2,248,094)**	**(2,198,083)**	**(1,272,192)**
Interest expense	(681,865)	(776,042)	(983,155)	(558,582)
Gain/(Loss) on embedded derivative	1,043,912	688,060	794,098	(137,584)

US$	FY21	FY22	FY23	1H FY24
Gain/(Loss) on debt extinguishment	-	-	(576,374)	-
Interest earned	6,585	2,182	12,571	6,057
Total finance costs	**368,632**	**(85,800)**	**(752,860)**	**(690,109)**
Other income	921,315	-	-	-
Impairment of intangibles	-	(1,026,377)	-	-
Total non-operating income (expenses)	**921,315**	**(1,026,377)**	**-**	**-**
Loss before tax	**(1,445,319)**	**(3,360,271)**	**(2,950,943)**	**(1,962,301)**
Tax expense	-	-	-	-
Loss for the year after tax	**(1,445,319)**	**(3,360,271)**	**(2,950,943)**	**(1,962,125)**
Revenue Growth	*NA*	*12.4%*	*-11.8%*	*-19.5%*
Gross Margin	*36.3%*	*40.7%*	*39.1%*	*44.3%*
EBIT Margin	*-37.6%*	*-27.5%*	*-30.5%*	*-46.0%*

Source: Alexium FY21, FY22, FY23 Annual Report, Management Guidance and 1H FY24 Financial Statements (draft, unaudited), BDO adjustments

With reference to Table 5.6 above, we note the following:

- Alexium's revenue was flat over the two-year period between FY21 to FY23 (despite an increase of 12.4% in FY22), and revenue decreased in the six-month period ending 31 December 2023 compared to the prior corresponding period. Given Alexium's current size, we note that half year results or the results of any particular year may be impacted by seasonality and can also be impacted by the timing of single customer orders.
- Gross profit margin has improved since FY21, reflecting Alexium's increasing product lines and change in product mix.
- Operating expenses largely comprise administrative expenses (salaries, insurance, travel, occupancy, software), research and development ('R&D') expenditures and sales and marketing costs (although both R&D and sales and marketing spend has reduced over the period above as a result of the Company's cost-cutting measures). Operating expenses do not include capitalised product development costs (US$0.4 million in FY23 and US$0.3 million in FY22). Overall, operating costs appear relatively lean for a company that is listed on the ASX, operating the large US market, and engaged in ongoing product development, business development and sales and marketing activity.
- Alexium has incurred operating losses in excess of US$2 million in each year between FY21 and FY23, with a similar trajectory in the half year FY24 results. With a relatively lean operating cost structure, the Company's path to profitability will be heavily reliant on an improved sales pipeline and subsequent revenue growth.
- Non-operating items identified by BDO include non-recuring COVID payments from the US Government and impairment charges against the capitalised costs of two flame-retardant product lines.
- Interest expenses have increased since FY21, the majority of which relates to the increasing balance of the Convertible Notes. Net interest expenses add to the Company's total losses but will largely disappear as a result of the Proposed Transactions.

5.6.2 Statements of Financial Position and Pro Forma Balance Sheet

Table 5.7 summarises Alexium's statements of financial position as at the financial years ended 30 June 2022 and 2023, half year ended 31 December 2023 and the pro forma balance sheet reflecting the Proposed Transactions.

Table 5.7: Alexium's Summarised Consolidated Statements of Financial Position and Pro Forma Balance Sheet

US$	Jun-22	Jun-23	Dec-23	Proforma
Current Assets				
Cash and cash equivalents	1,027,095	513,277	1,756,073	2,823,724
Trade and other receivables	579,052	1,046,950	544,645	544,645
Inventories	1,599,220	824,981	445,384	445,384
Other current assets	90,504	87,199	48,988	48,988
Total Current Assets	**3,295,871**	**2,472,407**	**2,795,090**	**3,862,742**
Non-Current Assets				
Other financial assets	16,672	17,871	16,671	16,671
Property, plant and equipment	967,589	730,530	613,744	613,744

US$	Jun-22	Jun-23	Dec-23	Proforma
Intangible assets	1,569,167	1,695,365	1,594,874	1,594,874
Right-of-use asset	574,606	465,157	410,433	410,433
Total Non-Current Assets	**3,128,034**	**2,908,923**	**2,635,722**	**2,635,722**
Total Assets	**6,423,905**	**5,381,330**	**5,430,812**	**6,498,464**
Current Liabilities				
Trade and other payables	816,423	990,296	585,364	585,364
Lease liabilities	118,253	136,498	146,372	146,372
Borrowings	178,626	161,345	599,538	599,538
Total Current Liabilities	**1,113,302**	**1,288,139**	**1,331,275**	**1,331,275**
Non-Current Liabilities				
Convertible Note	2,815,195	3,787,189	4,417,822	-
Bridge Loan	-	-	1,370,249	-
Derivative liability	182,452	688,364	862,460	-
Lease liabilities	737,273	600,774	525,068	525,068
Total Non-Current Liabilities	**3,734,920**	**5,076,327**	**7,175,599**	**525,068**
Total Liabilities	**4,848,222**	**6,364,466**	**8,506,874**	**1,856,342**
Net (Liabilities)/Assets	**1,575,683**	**(983,136)**	**(3,076,061)**	**4,642,121**
Equity				
Contributed equity	66,523,851	66,610,771	66,721,052	74,655,204
Reserves	(1,195,699)	(974,429)	(1,509,072)	(1,497,670)
Accumulated losses	(63,752,468)	(66,619,478)	(68,288,042)	(68,515,413)
Total Equity	**1,575,683**	**(983,136)**	**(3,076,062)**	**4,642,121**

Source: *Alexium FY21, FY22, FY23 Annual Report, Management Guidance and 1H FY24 Financial Statements (draft, unaudited)*

With reference to Table 5.7 above, we note the following:

- Trade and other receivables have increased by US$0.47 million from US$0.58 million as of 30 June 2022 to US$1.05 million as of 30 June 2023. The increase in receivables was due to the timing of sales. The company does not recognise any expected credit losses based on an assessment of historic recoveries and trend. The net carrying value of trade receivables is considered a reasonable approximation of fair value.
- Inventories decreased from US$1.60 million as of 30 June 2022 to US$0.82 million as of 30 June 2023. In FY23, the Company focused on decreasing excess inventory and improving inventory management, making just-in-time purchases and production runs to extend cash reserves.
- Plant and equipment, and right-of-use asset balance collectively decreased by US$0.35 million from 30 June 2022 to 30 June 2023 due to depreciation expense of US$0.36 million, offset by US$0.01 million additions of furniture and equipment.
- Intangible assets represent capitalised costs associated with new product lines (Eclipsys®, DelCool™ and mPCM products in FY23, and flame-retardant, PCM and mPCM product lines in prior years). The intangible asset balance increased from US$1.57 million as of 30 June 2022 to US$1.70 million as of 30 June 2023, reflecting additional capitalised costs of US$0.43 million offset by amortisation of US$0.30 million. No impairment loss has been recognised for the FY23 reporting period, while an impairment charge of US$1.03 million was recognised in FY22 against the flame-retardant product lines.
- Borrowings relate to the Convertible Note and a line of credit.
  - On 28 Dec 2022, the Company amended and restated the Colinton Convertible Note. The proceeds from the amended funding were first used to pay down the original loan facility which was due to expire on 24 December 2023 and carried a face value of US$3.5 million (A$5.1 million) plus accrued interest of US$0.2 million (A$0.4 million). In conjunction with this amendment, Colinton agreed to provide an additional US$1.0 million (A$1.5 million) to support the business through the next phase of its growth and development. The restated note has a face value of US$4.8 million (A$7.0 million), a three-year term and a 10.0% annual interest rate with coupon interest payments due

quarterly. The Company may elect to defer interest payments in exchange for an additional 2% in interest payable to the lender.

- Alexium entered into a three-year line of credit agreement on 5 April 2022 with Alterna Capital Solutions to provide working capital funding. The facility is a three-year US$3.0 million asset-based facility which can be increased to US$5.0 million with the approval of the lender. The funds usage interest rate at execution of the agreement was 8.25% and adjusts with upward changes in the Wall Street Journal Prime Rate. As of 31 December 2023, the applicable interest rate and net carrying value of the line of credit were 13.5% and US$0.6 million, respectively.

- The pro forma balance sheet has been prepared by Management (as presented in Schedule 1 of the Notice of Meeting) and is based on Alexium's 31 December 2023 balance sheet, adjusted for the Proposed Transactions (assuming the minimum capital raise of approximately A$4.0 million), the net effect of which is:
  - The retirement and elimination of approximately US$6.7 million in debt (Convertible Note, Bridge Loan, accrued interest and fair value of derivative liability); and
  - An increase in cash held of approximately US$1.1 million.

5.6.3 Statements of Cash Flows

Table 5.8 summarises Alexium's Statement of Cash Flows for the 12 months ended 30 June 2022 and 30 June 2023, and the 6 months ended 31 December 2023.

Table 5.8: Alexium's Summarised Consolidated Statements of Cash Flows

US$	FY22	FY23	1H FY24
Cash flow from operating activities			
Receipts from customers and other income	8,924,204	6,635,226	3,256,941
Payments to suppliers and employees	(10,246,599)	(7,655,906)	(3,623,843)
Interest received	2,167	12,566	6,057
Interest and other costs of finance paid	(275,535)	(128,997)	(33,291)
Goods & services tax received	24,185	33,513	22,185
Net cash flows (used in) operating activities	**(1,571,578)**	**(1,103,598)**	**(372,581)**
Cash flows from investing activities			
Purchase of property, plant, and equipment	(52,380)	(18,761)	-
Payments for development costs	(302,437)	(367,781)	(116,064)
Net cash flows (used in) investing activities	**(354,817)**	**(386,542)**	**(116,064)**
Cash flows provided by financing activities			
Proceeds from borrowings	251,074	5,771,451	3,214,850
Proceeds on substantial modification of convertible note	-	1,022,460	-
Proceeds from bridging loan	-	-	1,368,000
Transaction costs related to issues of shares	(4,285)	(937)	-
Transaction costs related to loans and borrowings	(57,768)	-	-
Repayment of lease liabilities	(94,258)	(118,253)	-
Repayment of borrowings	(20,450)	(5,678,961)	(2,851,793)
Net cash flows (used in) financing activities	**74,314**	**995,760**	**1,731,057**
Net (decrease) in cash and cash equivalents	**(1,852,082)**	**(494,380)**	**1,242,412**
Cash and cash equivalents at beginning of year	**2,932,673**	**1,027,095**	**513,277**
Effect of exchange rate changes on cash and cash equivalents	(53,496)	(19,438)	384
Cash and cash equivalents at end of year	**1,027,095**	**513,277**	**1,756,073**

Source: *Alexium FY21, FY22, FY23 Annual Report, Management Guidance and 1H FY24 Financial Statement (draft, unaudited)*

With reference to Table 5.8 above, we note the following:

- As at 30 June 2023, Alexium's cash position was US$0.51 million (30 June 2022: US$1.03 million), with net cash outflows from operating and investing activities amounting to US$1.5 million during FY23 and a positive cash balance only being maintained due to the net financing cash inflow of US$1.0 million as part of the amendment and restatement of the Convertible Note.

- As at 31 December 2023, the cash position increased to US$1.76 million, primarily sourced from the Bridge Loan provided by Colinton.
- Nevertheless, net cash outflow from operating activities decreased from FY22 to FY23 due to Alexium's cost-cutting measures, including a reduction in personnel and consultancy spend as mentioned previously.

5.6.4 Forecasts and Other Non-Public Information

BDO has been provided with Alexium's business strategy and forecast through FY25, which includes information such as:

- General information about Alexium's sales pipeline; and
- Forecast sales and gross profit by customer and product line (including new product lines expected to be launched).

The forecast financial information provided by Management has not been subject to any form of formal due diligence, and such due diligence is beyond the scope of this Report. As such, the entirety of the prospective information does not meet the requirements of RG 170 for public disclosure and has therefore not been disclosed in this Report. Nevertheless, BDO has considered Management's strategy and expectations in forming our view on valuation.

In addition, further detailed information was made available to us, and we have considered such information in our valuation analysis for selecting an appropriate range of revenue multiples but has not been presented in this report due to being considered commercially sensitive.

6.0 Industry Overview

Alexium primarily serves and targets the bedding, military apparel and workwear markets in the US. Alexium services a small fragment of these markets, i.e. Alexium's product lines form part of the manufacturing process for certain products. We were not able to obtain industry analysis that relates specifically to Alexium's segment of the mattress manufacturing and broader textile manufacturing markets. Nevertheless, this section provides a high-level overview of the mattress manufacturing industry in the US, being the main sector within which Alexium currently operates.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a guide only.

6.1 Mattress Manufacturing Industry[1]

The mattress manufacturing industry produces mattresses and bases for retailers, wholesalers, hospitals, hotels, and the export markets. The industry produces innerspring, box spring and mattresses without inner springs, which include waterbeds and beds made from foam, rubber, and latex.

Mattress manufacturers have enjoyed favourable operating conditions in the last five years as growth in residential real estate markets and per capita disposable income have led to an increase in mattress sales. Since 2021, as consumer spending rose, imports declined and the housing market boomed, enabling manufacturers to recover from COVID-19-induced declines. Over the past five years, manufacturers have moved further into e-commerce. Direct-to-consumer sales, pioneered by start-ups, have increasingly been adopted by major manufacturers. Growth in direct-to-consumer sales has boosted revenue from exports in recent years. Amid temporary store closures in 2020 following the outbreak of COVID-19, large mattress manufacturers greatly benefitted from direct-to-consumer sales as consumers could not purchase mattresses at brick-and-mortar stores. Industry revenue has been increasing at a CAGR of 1.3% over the past five years to total an estimated US$8.4 billion, including a 2.3% increase in 2023. However, profit declined over the past five years because of increases in the prices of key inputs.

6.2 Key External Drivers

Information on the key external drivers currently affecting the mattress manufacturing industry (which are considered only broadly relevant for Alexium) is discussed in the following table.

Table 6.1: Key external drivers in the mattress manufacturing industry

Driver	Description
Per capita disposable income	Increases in per capita disposable income leads to higher mattress sales and higher average selling prices. Consumers tend to replace mattresses at a faster rate and upgrade to more expensive, high-quality mattresses (such as those with cooling and flame-retardant features offered by Alexium's product lines) during periods of income growth. Per capita disposable income is expected to increase in 2023.
Demand from furniture stores	Furniture stores are an important downstream retail channel for mattresses, and any change in demand from this channel affects industry revenue and profit. An increase in consumer mattress purchases at furniture stores will likely lead to higher industry revenue. Demand from furniture stores is expected to fall in 2023, posing a potential threat to the industry.
Trade-weighted index	The trade-weighted index ('TWI') measures the US dollar's value against various currencies of major trading partners. When the TWI increases, it indicates a rise in the value of the US dollar, resulting in US by-products becoming more expensive for foreign markets making it more challenging to complete on price. Conversely, imports become cheaper for US consumers, making them purchase more for less money.
E-commerce sales	The mattress manufacturing industry has traditionally sold its products through downstream brick-and-mortar retail outlets. However, due to increased integration of e-commerce in the industry, e-commerce direct-to-consumer sales have become an increasingly important distribution channel for mattress manufacturers. E-commerce sales are expected to increase in 2023, representing a potential opportunity for the industry.
Price of steel	Steel is used in manufacturing innerspring mattresses, which are the industry's largest product segment. As such, steel represents a significant purchase expense for the industry, and fluctuations in steel prices can exert a notable influence on industry profitability. The price of steel is expected to decrease in 2023.

[1] Unless otherwise stated, information in this section has been obtained from IBISWorld report 'Mattress Manufacturing in the US', December 2023.

6.2.1 Changes to Industry Regulation

One of the newest regulations for this sector includes the United States Consumer Product Safety Commission's new standard on flame-retardant mattresses. All mattresses must comply with this standard to reduce the severity of mattress fires ignited by open flame sources and must be labelled with the city, state location, month, and year of production and those that are treated with a flame-retardant chemical must be labelled with the letter 'T'.

6.2.2 Overall Outlook

Moving forward, mattress manufacturers will continue to enjoy growth. Improvements in mattress materials and production techniques will also drive manufacturers' performance over the next five years. Mattress manufacturers may benefit from shifting consumer preferences over the outlook period. As the trend of health consciousness increases, particularly following the outbreak of COVID-19, the type of mattress consumers purchase will shift toward higher-end products, contributing to price-based gains. For example, increasing consumer awareness of the health benefits of undisturbed sleep and demand for novel products, like antiviral mattresses, will support growth and bode well for companies like Alexium.

High-income individuals in the US and foreign markets looking for high-end US-made mattresses will prompt mattress manufacturers and encourage new entrants to produce innovative products, such as adjustable mattresses (temperature, angle and firmness of bedding) and sleep-tracking mattresses with an avenue of growth. Higher-end innerspring mattresses will sell in high volume as consumers interested in traditional mattresses have more discretionary money to spend. These specialty mattresses will help to generate higher revenue because they tend to be more expensive. As consumers' attraction to high-end, niche sleep products grows, companies will begin operating to satisfy those newer markets. Industry revenue is forecast to grow at a CAGR of 4.3% to US$10.3 billion through the end of 2028, significantly stronger than the broader textiles industry in the US.

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

7.1 DCF

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 CME

The CME approach involves identifying a maintainable revenue and/or earnings stream for an entity and multiplying this revenue and/or earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total equity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 ABV

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 MBV

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

7.6 Control Premium

Undertaking the fairness assessment in accordance with relevant ASIC guidance requires that we compare the value of Alexium before the Proposed Transactions on a control basis with the value of Alexium after the Proposed Transactions on a minority basis.

In our assessment of an appropriate control premium for Alexium, we have reviewed Australian public company acquisitions over the period 2013 to 2023. In particular, we have reviewed the average offer premium to the share price both one day before, and one month before the offer announcements.

Based on our analysis, we consider a control premium of 20% to be appropriate (refer to Appendix C for further details).

8.0 Valuation of Alexium Prior to the Proposed Transaction in controlling basis

This section sets out our valuation of the shares in Alexium and is structured as follows:

- Section 8.1 sets out our view of the most appropriate methodology to value Alexium;
- Section 8.2 sets out our CME valuation of Alexium;
- Section 8.3 sets out our MBV of Alexium;
- Section 8.4 sets out our cross-check of our CME valuation of Alexium using the MBV; and
- Section 8.5 sets out our view of the most appropriate value to adopt for each Alexium share, on a controlling interest basis, for the purpose of this Report.

8.1 Our Valuation Approach for Alexium

We have considered each of the valuation methodologies outlined in Section 7.0 above and determined, in our view, the most appropriate methodology for calculating the value of Alexium. In our view it is appropriate to adopt a CME valuation approach for Alexium, using enterprise value to revenue multiples (refer Section 8.2 below). Outlined below are the factors we considered in selecting the revenue multiple method as the appropriate valuation methodology:

- Alexium is currently a loss-making entity with growth potential in a large addressable market. The Company is investing in ongoing business and product development, which can be captured in adopting a revenue multiple based on similar growth-stage companies operating in similar industries.
- The revenue multiple approach is widely used to value companies at a similar stage and in similar circumstances to Alexium.
- Detailed long-term financial forecasts do not exist to support a DCF valuation.
- For a technology-enabled, growth-stage company like Alexium, a significant proportion of value relates to intangible assets not reflected on the balance sheet. Therefore, an asset-based valuation approach is not appropriate.

To cross-check our revenue multiples-based valuation methodology, we have considered an MBV approach. Alexium is listed on the ASX, and in our view the level of trading shows a moderate level of liquidity trading which makes it a suitable cross-check to our intrinsic valuation. The MBV provides information relating to a valuation of Alexium shares on a minority interest basis.

8.2 CME Valuation of Alexium Using the Revenue Multiples Method

The revenue multiple method involves identifying a maintainable revenue stream for an entity and multiplying the revenue stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the revenue multiple valuation, and net debt (net cash) is subtracted (added) to calculate the total equity value of the Company. This section of this Report is structured as follows:

- Section 8.2.1 sets out our view on an appropriate level of revenues to adopt to value Alexium;
- Section 8.2.2 sets out our view on the appropriate capitalisation multiple to adopt to value Alexium;
- Section 8.2.3 sets out our calculation of the enterprise value of Alexium on a controlling interest basis;
- Section 8.2.4 sets out our calculation of the surplus assets and liabilities of Alexium; and
- Section 8.2.5 sets out our calculation of the equity value of Alexium on a controlling interest basis.

8.2.1 Revenue Adopted

To determine an appropriate level of revenue for Alexium for the purpose of our valuation, we have considered the historical revenue of the Company and discussed the financial performance, operating environment, and future prospects of Alexium with Management.

We adopted a total revenue range of US$7 million to US$7.5 million as the appropriate revenue base to value Alexium. In forming this view, we note the following:

- Alexium's revenue has been relatively consistent between FY21 to FY23;
- Whilst Alexium's revenue for the half year ended December 2023 shows a decline compared to the prior corresponding period, this may be distorted by seasonality and the impact of timing of a single customer order given Alexium's relatively small size;
- Data in relation to revenue for the most recent financial year are more widely available compared to forecast revenues for both listed comparable companies and precedent transactions;
- Based on our discussions with Management we did not identify any material normalisation adjustments required for the revenues for the most recent financial year; and
- Alexium's prospects for growth have been captured in the selected revenue multiple.

8.2.2 Capitalisation Multiple

We have selected an appropriate capitalisation revenue multiple to apply to adopted revenue of Alexium having regard to procedures outlined below:

- **Market data screening:** Alexium develops, manufactures and sells phase-change material and other specialty textile solutions in the US. It offers thermal regulation solutions, such as Alexicool, a PCM chemical finish for fabrics; Biocool, a natural and biobased PCM cooling for textile and foam bedding applications; and Eclipsys, a perpetual cooling technology that enhance the cooling experience for textile and foam bedding systems. The company also provides flame retardant solutions, such as Alexiflam, a flame-retardant treatment for cotton, linen, and other cellulosic textiles, as well as mattress applications.

  Based on our understanding of Alexium, there are very few comparable companies, or even no directly comparable companies with publicly available financial information, that are providing cooling material with application in bedding, textile (including military) and adjacent markets. Instead, we searched for a broad set of comparable listed companies and precedent transactions with developed market exposure and which operate primarily in technology sector, and focus on research, development and manufacturing of specialty or innovative materials, with product applications in textiles and accessories which focus on enhancing human comfort, protection, or sporting performance.
- **Selection of comparable listed companies and transactions:** We then identified specific comparable companies and precedent transactions for Alexium.
- **Analysis of the collected data:** In order to further analyse the data sets and for comparison against Alexium, we considered the business description, product portfolio and revenue growth where there is publicly available data.
- Selection of the appropriate revenue multiple for Alexium having regard to the analysis of the collected data. In selecting an appropriate multiple, we have also had regard to our own assessment of Alexium's financial performance, liquidity risk and future growth prospects.

8.2.2.1 Comparable Trading Multiples

We have analysed the trading multiples of a set of 13 broadly comparable listed companies to assist with determining an appropriate revenue multiple for Alexium. The trading multiples generally reflect market trades in a minority parcel of shares. Therefore, we adopted a control premium of 20% in the valuation of a pre-transaction Alexium's share on controlling basis, having regard to the analysis of historical control premiums summarised in Appendix B.

While providing useful information, we note results of our trading multiples analysis should be considered with an appropriate amount of caution. Although the listed companies referred to for our analysis are considered broadly comparable with Alexium, differences exist between Alexium and each of the comparable companies. In particular, we note that:

- A number of comparable companies are engaged in manufacturing activities (comparable to Alexium's customers, as opposed to Alexium itself);
- The products and services provided by each of the comparable companies are often different to those provided by Alexium;
- The comparable companies differ in size compared to Alexium;
- The revenue and earnings growth profiles of the comparable companies differ to those of Alexium (higher multiples are often observed for companies with relatively higher growth);
- The comparable companies differ in terms of EBITDA margins compared to Alexium (higher multiples are often observed for companies with relatively higher margins);
- The geographic regions in which comparable companies operate are often different to those of Alexium; and
- The comparable companies are listed on different stock exchanges compared to Alexium.

A summary of this analysis is set out in Table 8.1 below (refer to Appendix A for more detailed information about multiples).

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Table 8.1: Mean and Median Historical Revenue Multiples for Comparable Companies

Comparable Companies	EV/Revenue Multiple (LTM, in minority basis)
Lakeland Industries, Inc.	0.9x
Versarien plc	0.9x
HeiQ Plc	0.9x
iFabric Corp.	1.6x
Superior Group of Companies, Inc.	0.6x
Unisync Corp.	0.8x
Purple Innovation, Inc.	0.4x
Delta Apparel, Inc.	0.6x
Clarus Corporation	0.9x
Coats Group plc	1.3x
DuPont de Nemours, Inc.	3.2x
Lenzing Aktiengesellschaft	1.3x
Deckers Outdoor Corporation	4.4x
Max - All	**4.4x**
Mean - All	**1.4x**
Median - All	**0.9x**
Min - All	**0.4x**
Max (excluding outliers)	**1.6x**
Min (excluding outliers)	**0.4x**

Source: Capital IQ

Stated below are our observations in relation to the analysis of multiples for comparable companies:

- The broadly comparable companies trade at revenue multiples in the range of approximately 0.4x to 1.6x (excluding outliers), and with mean and median of 1.4x and 0.9x, respectively.
- Among the comparable companies, the gross profit margin for Lakeland Industries, Inc. and iFabric Corp. were 42% and 39% respectively, closely comparable to Alexium gross profit margin, and their revenue multiple were 0.9x and 1.6x respectively. Alexium's historical gross profit margin is higher than the majority of other broadly comparable companies.
- Five of the 13 broadly comparable companies we loss-making in the last financial year, and the historical revenue multiples for these companies ranged from 0.4x to 0.9x.
- Historical growth rates for the broadly comparable range from -7% to 9% - Alexium will likely need to exceed these growth rates in order to achieve profitability in accordance with Management's strategy.
- The market capitalization and historical revenue multiples of the broadly comparable companies have decreased substantially over the past two years, as shown in Appendix B.

8.2.2.2 Comparable Transaction Multiples

We have also had regard to selected sales transaction of comparable companies with exposures to the material technology sector in US and developed global market that are considered broadly comparable to Alexium.

Generally, a transaction price generally represents the market value of a controlling interest in the company being analysed and therefore usually incorporates a premium for control. Each sales transaction is the product of a combination of factors which may or may not be specific to a transaction, including:

- Economic factors;
- General investment and share market conditions;
- Strategic importance to the acquirer;
- Synergistic benefits specific to the acquirer; and
- The number of potential buyers.

An analysis of selected transactions considered broadly comparable to Alexium is set out in Appendix D. Table 8.2 below sets out a summary of this analysis.

Table 8.2: Revenue Multiples Range for Comparable Transactions

Target name	Implied Revenue Multiple (Historical)
Dainese S.p.A	2.5x
Casper Sleep Inc.	0.6x
Sioen Industries NV	1.2x
Bristol Uniforms Limited	1.5x
Min	**0.6x**
Mean	**1.4x**
Median	**1.4x**
Max	**2.5x**

Source: Capital IQ

Stated below are our observations in relation to the analysis of transaction multiples:

- We were only able to identify four transactions that we considered to be broadly relevant, although none of the target companies are considered directly comparable to Alexium.
- The transaction list consists of target companies relatively larger in size than Alexium.
- Of the limited number of broadly comparable transactions identified, the transaction multiples are higher than broadly comparable company trading multiples.
- The differences in revenue multiples of the comparable transactions, ranging from 0.6x to 2.5x, may be attributable to the differences in future prospect (revenue growth, margin improvement, etc) of respective target companies. However, such perspective information is not publicly available.

8.2.2.3 Appropriate Multiple to Apply to Alexium

In order to determine an appropriate multiple to adopt for the purpose of valuing Alexium in this Report, we have considered a range of factors specific to Alexium which may differ from the comparable companies analysed, including:

- Historical performance of Alexium, including the revenue growth, profitability and stage of growth;
- Similarity of Alexium to comparable companies having regard to metrics such as service offerings, and financial metrics including revenue growth and EBITDA margins; and
- Alexium's growth prospects considering the planning of commercialisation of Eclipsys and Flame Retardant products in new markets (e.g., tactical gear, shoes, cold chain and workwear).

Using comparable listed company market data and external sales transactions outlined in Tables 8.1 and 8.2 above and Appendix A, B, C and D as a guide, together with our own assessment of factors specific to Alexium, in our view, it is appropriate to apply a revenue multiple within the range of 1.3x to 1.6x in a minority basis.

Outlined below are the primary factors we considered in adopting this range:

- We consider it appropriate to adopt a multiple at the high end of the broadly comparable trading multiple range, having particular regard to Alexium’s relatively early stage of commercialisation and its growth prospects (including greater penetration in its core market of US mattress manufacturing, and diversification through the application of cooling and flame-retardant applications in adjacent and new markets, footwear, automotive, sporting equipment etc.);
- The revenue multiple range is supported by the limited number of broadly comparable transactions we were able to identify; and
- The results of our revenue multiple valuation have been cross-checked to Alexium’s own trading prices, which reflect a moderate level of liquidity.

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8.2.3 Enterprise Value of Alexium

Table 8.3 below summarises our calculation of the enterprise value of Alexium.

Table 8.3: Enterprise Value of Alexium

US$ millions	Low	High
Revenue	7.0	7.5
Revenue Multiple	1.3x	1.6x
Enterprise Value	**9.1**	**12.0**

Source: BDOCF analysis

As shown in Table 8.3 above, we have calculated the enterprise value of Alexium to be within the range of approximately US$9.1 million to US$12.0 million.

8.2.4 Adjustments for Cash, Interest-bearing Debt and Other Surplus Assets and Liabilities

The valuation of a company adopting a CME valuation methodology based on multiple of revenue excludes, amongst other issues, the impact of the Company's debt on the financial results as well as the value of any surplus assets or liabilities (i.e. those assets and liabilities which are not required for the usual business operations). When adopting the CME valuation methodology, to calculate the value of equity in a company it is appropriate to add the company's surplus cash and cash equivalents, subtract the value of interest-bearing liabilities, and add/subtract the value of any surplus assets/liabilities to the enterprise value.

To determine an appropriate adjustment for Alexium, we have considered the values set out in Alexium's draft (unaudited) balance sheet as at 31 December 2023 when valuing Alexium before the Proposed Transactions, and Management's pro forma balance sheet when valuing Alexium after the Proposed Transactions, a summary of which is below.

Table 8.4: Cash, Interest-bearing Debt and Other Surplus Assets and Liabilities

in US$ millions	31-Dec-23	Pre-Transaction	Post-Transaction
Cash and Cash Equivalents	1.76	1.76	2.82
Convertible Note	-4.42	-4.42	-
Accrued interest on CN - 1 Jan to 15 May 2024	-	-0.24	-
Bridge Loan	-1.37	-1.37	-
Accrued interest on Bridge Loan - 1 Jan to 15 May 2024	-	-0.07	-
Lease Liabilities	-0.67	-0.67	-0.67
Line of Credit	-0.60	-0.60	-0.60
Derivative Liability	-0.86	-0.86	-
Net Cash (Debt)	**-6.17**	**-6.48**	**1.55**

Source: Alexium Management, BDOCF analysis

Regarding Table 8.4, we note that:

- Alexium has a net debt position of US$6.17 million as at 31 December 2023, which increases to US$6.48 million immediately before the Proposed Transactions on a pro forma basis when taking into account accrued interest on the Convertible Note and the Bridge Loan between 1 January and 15 May 2024 (the expected completion date of the Proposed Transactions), and assuming all else equal.
- The Company is expected to have a net cash position of US$1.55 million after the Proposed Transactions based on Management's pro forma balance sheet, reflecting the following:
  - Minimum capital raise proceeds of A$4.07 million by way of the Entitlement Offer and Placement;
  - The retirement and elimination of the Convertible Note (and associated derivative liability), Bridge Loan and accrued interest; and
  - Costs associated with the Proposed Transactions.
- Lease liabilities as at 31 December 2023 of US$0.67 million have been treated as debt-like, consistent with the treatment of lease liabilities for comparable companies when calculating the multiples for the CME analysis.
- Line of Credit as at 31 December 2023 of US$0.60 million has been drawn down under the line of credit facility, which does not change as part of the Proposed Transactions.

In relation to surplus assets, we note that the company has significant carry forward tax losses. We have not attributed any value to the carry forward tax losses, given the history of operating losses and the uncertainty of whether the Company will reach a tax payable position. We have confirmed with Management that no other assets or liabilities exist which may be considered surplus in addition to those set out above.

8.2.5 Equity Value of Alexium

Table 8.5 below summarises our calculation of the equity value of Alexium as at the date of this Report.

Table 8.5: Equity Value and Value per Share of Alexium

	Section	Pre-Transaction		Post-Transaction	
US$ millions	Ref	Low	High	Low	High
Enterprise Value	8.2.3	9.10	12.00	9.10	12.00
Add: Net Cash (Debt)	8.2.4	-6.48	-6.48	1.55	1.55
Equity Value		2.62	5.52	10.65	13.55
Shares Outstanding	5.4.2	661,210,753	661,210,753	1,524,544,630	1,524,544,630
Value per share (minority basis) (US$/share)		0.0040	0.0084	0.0070	0.0089
Add: Control Premium (20%) (US$/share)	7.6	0.0008	0.0017	-	-
Value per share (controlling basis) (US$/share)		0.0048	0.0100	-	-
Value per share (in A$/share)	Note 1	**0.0072**	**0.0152**	**0.0106**	**0.0135**

Source: BDOCF analysis
Note 1: We have adopted an AUD:USD exchange rate of 0.6574, sourced from Reserve Bank of Australia, and consistent with Management's adopted exchange rate for preparing the pro forma balance sheet as at 31 January 2024, for purposes of converting the USD denominated equity value of Alexium to an AUD denominated value per share

With reference to Table 8.5, we calculate the pre-transaction equity value per share of Alexium to be in the range of A$0.0072 to A$0.0152 on a control basis, and the post-transaction equity value per share of Alexium to be in the range of A$0.0106 to A$0.0135 on a minority basis:

8.3 Cross-check - MBV of Alexium

This section sets out our valuation cross-check by reference to Alexium's recent ASX share trading data.

8.3.1 Analysis of Alexium's Share Trading Data

Alexium's ordinary shares are listed on the ASX. Information in relation to the recent share trading data of Alexium's ordinary shares along with an analysis of recent announcements made by Alexium to the ASX are set out in Section 5.4 of this Report. Information on the liquidity of Alexium shares is set out in Section 5.5 of this Report.

Approximately 14% of Alexium's total shares on issue were traded in the 12 month period to 26 December 2023. In our view, this indicates that Alexium shares display a moderate level of liquidity, which is sufficiently reliable for the MBV analysis in this Report.

For the purposes of our MBV cross-check, we have considered the volume-weighted average price (VWAP) in the trading of Alexium shares over various trading periods up to 26 December 2023, as shown below.

Table 8.6: Alexium's VWAP for Specified Trading Periods Prior to 26 December 2023

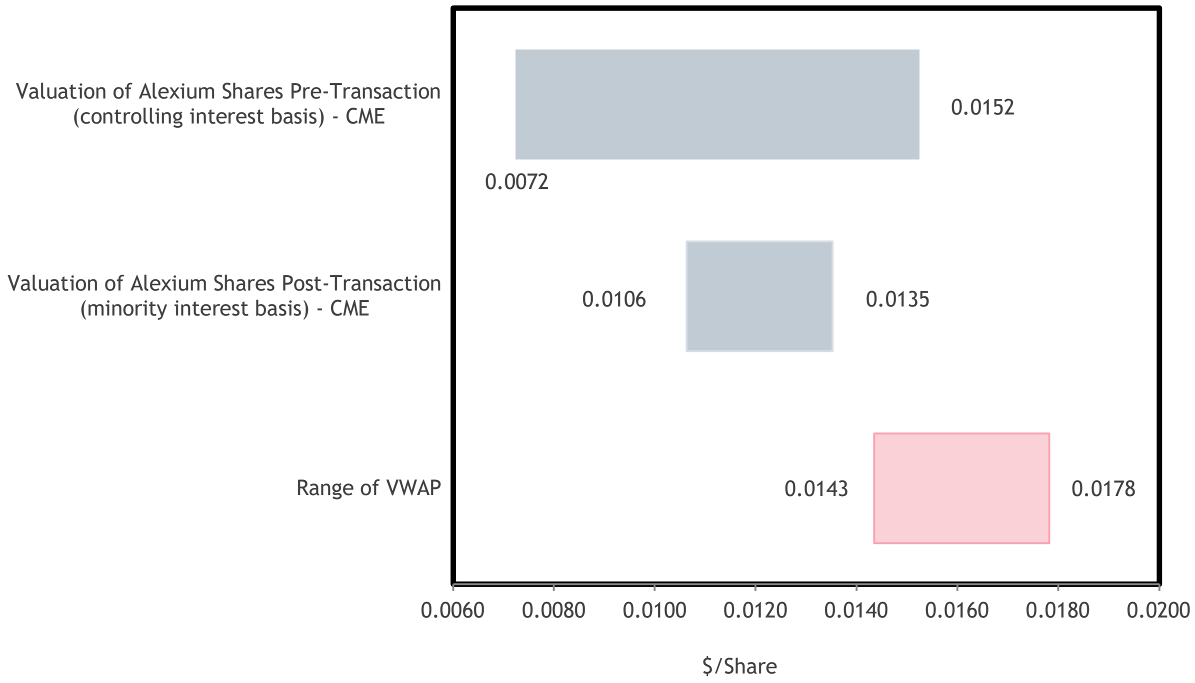
Period before 26 December 2023	VWAP (A$)
1 Week	$0.0146
1 Month	$0.0143
3 Months	$0.0156
6 Months	$0.0155
9 Months	$0.0158
12 Months	$0.0178

Source: Capital IQ

As shown above, the VWAP of Alexium shares over the periods specified before 26 December 2023 range from A$0.0146 to A$0.0178 (representing minority parcels of shares), trending downwards somewhat over the trailing 12-month period. VWAPs represent trading of minority parcels of shares.

A comparison of our valuation range based on the CME methodology with the VWAP range is presented in Figure 8.1 below.

Figure 8.1: Comparison of CME Based Valuation with the VWAP Range



Source: Capital IQ, BDO Analysis

Regarding Figure 8.1, we note that:

- The high end of our valuation range for Alexium before the Proposed Transactions overlaps with Alexium's VWAP over recent trading periods, which we do not consider unreasonable noting the downward trend in Alexium's VWAP over the various trading periods specified above.
- The high end of our valuation range for Alexium after the Proposed Transactions falls slightly below Alexium's VWAP over recent trading periods, which we do not consider unreasonable noting the Placement is proposed to be undertaken at a discount to recent trading prices.

We also note that Alexium's trading prices may attribute some value to Alexium's carry forward tax losses, which have been excluded from our valuation range. Attributing some value to the carry forward tax losses would increase our assessment of the pre-transaction and post-transaction value of a share in Alexium.

Based on our analysis, in our opinion, our cross-check of Alexium's equity value using the MBV methodology broadly supports our valuation of Alexium using the CME methodology.

8.4 Value per Alexium Share

Having regard to our valuation of Alexium shares, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this Report in the range of A$0.0072 and A$0.0152 per Alexium share pre-transaction on a controlling interest basis, while in the range of A$0.0106 and A$0.0135 per Alexium share post-transaction on a minority interest basis. This valuation range was determined having regard to our CME valuation methodology crosschecked to the MBV methodology.

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Appendix A: Comparable Trading Companies and Precedent Transaction Analysis

This section sets out information in relation to comparable companies that we consider broadly comparable to Alexium. The information set out below includes a summary of information that we have considered. This section is set out as follows:

Table A.1: Broadly Comparable Trading Companies

Broadly Comparable Companies		Market Data[1]			Other Financial Information			
Company name	Country	Enterprise Value (m)	LTM Revenue Multiple	NTM Revenue Multiple	LTM Revenue Growth	Revenue Growth NTM	LTM GP Margin	LTM EBITDA Margin
Lakeland Industries, Inc.	United States	168.7	0.9x	0.8x	9%	5%	42%	8%
Versarien plc	United Kingdom	10.7	0.9x		-6%		22%	-88%
HeiQ Plc	Switzerland	52.0	0.9x	0.8x	-7%	6%	26%	-42%
iFabric Corp.	Canada	39.2	1.6x		-4%		39%	4%
Superior Group of Companies, Inc.	United States	501.2	0.6x	0.6x	3%	-1%	35%	5%
Unisync Corp.	Canada	93.1	0.8x		-3%		12%	-7%
Purple Innovation, Inc.	United States	327.9	0.4x	0.4x	3%	3%	34%	-14%
Delta Apparel, Inc.	United States	408.0	0.6x	0.7x	-3%	-5%	13%	-1%
Clarus Corporation	United States	534.5	0.9x	1.0x	-1%	-11%	36%	8%
Coats Group plc	United Kingdom	2,942.2	1.3x	1.3x	-2%	1%	32%	17%
DuPont de Nemours, Inc.	United States	60,683.0	3.2x	3.2x	1%	-2%	35%	24%
Lenzing Aktiengesellschaft	Austria	5,422.4	1.3x	1.3x	-2%	6%	10%	7%
Deckers Outdoor Corporation	United States	26,456.0	4.4x	4.1x	9%	5%	52%	21%
Min			0.4x	0.4x	-7%	-11%	10%	-88%
Average			1.4x	1.4x	0%	1%	30%	-5%
Median			0.9x	0.9x	-2%	2%	34%	5%
Max			4.4x	4.1x	9%	6%	52%	24%

Source: Capital IQ

1. *Market data extracted on 15 January 2024*

Table A.2: Broadly Comparable Company Descriptions

Company	Company Description
Lakeland Industries, Inc.	Lakeland Industries, Inc. manufactures and sells industrial protective clothing and accessories for the industrial and public protective clothing market worldwide. It offers firefighting and heat protective apparel to protect against fire; high-end chemical protective suits to provide protection from highly concentrated, toxic and/or lethal chemicals, and biological toxins; and limited use/disposable protective clothing, such as coveralls, laboratory coats, shirts, pants, hoods, aprons, sleeves, arm guards, caps, and smocks. The company also provides durable woven garments, including electrostatic dissipative apparel used in electronics clean rooms; flame resistant meta aramid, para aramid, and FR cotton coveralls/pants/jackets used in petrochemical, refining operations, and electrical utilities; FR fabrics; and cotton and polycotton coveralls, lab coats, pants, and shirts. In addition, it provides high visibility clothing comprising reflective apparel, including vests, T-shirts, sweatshirts, jackets, coats, raingear, jumpsuits, hats, and gloves; and gloves and sleeves that are used in the automotive, glass, and metal fabrication industries. The company sells its products to a network of approximately 1,600 safety and industrial supply distributors through in-house sales teams, customer service group, and independent sales representatives. It serves end users, such as integrated oil, chemical/petrochemical, automobile, steel, glass, construction, smelting, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories, and the utilities industry; and federal, state, and local governmental agencies and departments. The company was incorporated in 1982 and is headquartered in Huntsville, Alabama.
Versarien plc	Versarien plc provides engineering solutions for various industry sectors in the United Kingdom, rest of Europe, North America, and internationally. The company operates in two segments, Technology Business and Mature Business. It offers Nanene, a few-layer graphene; Polygrene, a graphene enhanced polymer; Hexotene, a few-layer hexagonal boron nitride nano-platelet powder; and graphene-based nanomaterials for energy storage devices, as well as a range of electrically conductive graphene inks for various printing processes, substrates, and applications under the Graphinks name. The company also provides graphene enhanced plastic products, including graphene enhanced mobile accessories, injection molding products, tool boxes, transit trays, PU foam tanks, and vacuum forming products. In addition, it offers sintered tungsten carbide products comprising special inserts and blanks, cutting knives, wear-resistant parts, nozzles and valve inserts for flow control, and defense and aerospace tungsten carbide parts for use in arduous environmental applications. The company was founded in 2010 and is headquartered in Longhope, the United Kingdom.
HeiQ Plc	HeiQ Plc, through its subsidiaries, operates in the antimicrobial fabrics, textiles and flooring, and life sciences businesses in Europe, North and South America, Asia, and internationally. It offers functional textile technologies to provide hygiene, comfort protection, and resource efficiency; surface coatings and polymers; patented probiotic technology for cosmetics, water treatment, and cleaning products; and functional consumer goods for personal care, healthcare, and lifestyle. The company also offers research, technical implementation concept creation, feasibility analyses, test development, and products and process solutions. In addition, it provides marketing and branding, testing, regulatory affair, technical support, and textile effect development services. The company's principal customers are apparel, home fashion, textiles, probiotic, and sportswear brands. HeiQ Plc was founded in 2005 and is headquartered in Zurich, Switzerland.
iFabric Corp.	iFabric Corp. engages in the design and distribute of women's intimate apparel and accessories in Canada, the United States, the United Kingdom, Southeast Asia, and internationally. The company's Intimate Apparel division engages in the design, purchase, and distribution of intimate apparel, which includes a range of specialty bras, including reversible bra, patented backless, and strapless underwire bra under the trade name Coconut Grove Intimates. Its Intelligent Fabrics division engages in development, testing, and distribution of chemicals for textiles, such as Protx2, an anti-microbial and anti-viral formulations; Enguard, an insect repellant technology; Dreamskin, a skin polymer; UVtx, an ultraviolet light blocker; FreshTx, an odor absorbing technology; RepelTX, a durable water repellant; Omega+, a joint and muscle recovery; TempTx, a thermal regulator; Apollo, a body odor neutralizer; DryTx, a moisture-wicking technology; BioTX, a metal free anti-stink solution; RepelTX Eco Plus, a fluorine-free durable water repellant; IMPRINT, a logo exposing moisture-wicker; and DriForce, a fabric interior moisture wicker. The company was founded in 1985 and is headquartered in Markham, Canada.

Company	Company Description
Superior Group of Companies, Inc.	Superior Group of Companies, Inc. manufactures and sells apparel and accessories in the United States and internationally. It operates through three segments: Branded Products, Healthcare Apparel, and Contact Centers. The Branded Products segment produces and sells customized merchandising solutions, promotional products, and branded uniform to retail, hotel, food service, entertainment, technology, transportation, and other industries. The Healthcare Apparel segment manufactures and sells healthcare apparel, such as scrubs, lab coats, protective apparel, and patient gowns. This segment sells healthcare service apparel to healthcare laundries, dealers, distributors, and physical, and e-commerce retailers. The Contact Centers segment offers nearshore business process outsourcing, and contact and call-center support services. The company was formerly known as Superior Uniform Group, Inc. and changed its name to Superior Group of Companies, Inc. in May 2018. Superior Group of Companies, Inc. was founded in 1920 and is headquartered in Seminole, Florida.
Unisync Corp.	Unisync Corp., through its subsidiaries, manufactures and distributes garments in Canada and the United States. The company offers offshore outsourcing, web-based business to business and business to consumer ordering, distribution, and program management systems. It also engages in the design, development, prototyping, and testing services; and textile research and sourcing, and manufacturing, communication, and customer services. In addition, the company provides warehousing and inventory management; order processing and distribution; custom software development and data management; and custom-tailored ecommerce program and proactive services. Further, it offers highly technical protective garments, and military operational clothing and accessories. Unisync Corp. was founded in 1935 and is headquartered in Vancouver, Canada.
Purple Innovation, Inc.	Purple Innovation, Inc. designs and manufactures mattresses, pillows, and cushions. The company also offers bases, foundations, sheets, mattress protectors, bed frames, seat cushions, blankets, and duvets, as well as pet beds. It markets and sells its products through its e-commerce online channels, retail brick-and-mortar wholesale partners, and third-party online retailers, as well as through Purple retail showrooms. The company was founded in 2010 and is headquartered in Lehi, Utah.
Delta Apparel, Inc.	Delta Apparel, Inc., through its subsidiaries, designs, manufactures, sources, and markets activewear and lifestyle apparel products in the United States, Honduras, El Salvador, Mexico, and internationally. The company operates through two segments, Delta Group and Salt Life Group. It offers on-demand digitally printed apparel products under the DTG2Go brand; silhouettes and fleece products; performance shirts that keep athletes dry under the Delta Dri line brand; ringspun garments; Delta Soft apparel products; and heritage, mid- and heavier-weight tee shirts under the Delta Pro Weight and Magnum Weight brand names, as well as polos, outerwear, headwear, bags, and other accessories under the Soffe brand. The company also distributes its products to various audience, which includes sporting goods and outdoor retailers, specialty and resort shops, farm and fleet stores, department stores, and mid-tier retailers, as well as through soffe.com website. In addition, it offers apparel, swimwear, board shorts, sunglasses, bags, and accessories under the Salt Life brand through surf shops, specialty stores, department stores, and outdoor retailers, as well as through its saltlife.com ecommerce site. The company was found in 1903 and is headquartered in Duluth, Georgia.
Clarus Corporation	Clarus Corporation designs, develops, manufactures, and distributes outdoor equipment and lifestyle products focusing on the outdoor and consumer markets in the United States, Canada, Europe, the Middle East, Asia, Australia, New Zealand, Africa, and South America. Its Outdoor segment offers shells, insulation, midlayers, pants, and logowear; carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gears; technical backpacks and day packs; trekking poles; headlamps and lanterns; gloves and mittens; skincare and other products; and skis, ski poles, ski skins, avalanche airbag systems, avalanche transceivers, shovels, and probes. This segment offers its products for climbing, mountaineering, trail running, backpacking, skiing, and other outdoor recreation activities under the Black Diamond Equipment, PIEPS, and SKINourishment brands. The company's Precision Sport segment manufactures bullets and ammunition products for precision target shooting, hunting, and military and law enforcement purposes under the Sierra and Barnes brands. The company sells its products to mountain, rock, ice, and gym climbers; and winter outdoor enthusiasts, trail runners, backpackers, competitive shooters, hunters, and outdoor consumers. Its Adventure segment offers engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers, and accessories under the Rhino-Rack brand; and overlanding and off-road vehicle recovery and extraction tracks for the overland and the off-road market under the MAXTRAX brand. It markets and distributes its products through independent specialty stores and specialty chains, sporting goods and outdoor recreation stores, distributors, and original equipment manufacturers; and independent distributors, as well as through its websites. The company was formerly known as Black Diamond, Inc. and changed its name to Clarus Corporation in August 2017. The company was founded in 1957 and is headquartered in Salt Lake City, Utah.

BDO

Company	Company Description
Coats Group plc	Coats Group plc, together with its subsidiaries, manufactures and supplies industrial threads worldwide. The company provides threads, yarns, zips, trims, composites, and fabrics for use in apparel, such as children's wear, denims, intimate and underwear, ladieswear, leather wear, menswear, sports and activewear, and workwear & uniforms; handbags, luggage, bags, and fashion accessories; dress and casual, protective, and sports footwear; home textiles, mattress and beddings, outdoor goods, and sporting goods; cut protection, fire services, industrial thermal, and military purposes; automotive, marine, and tyre cord applications; telecoms and energy cables; and tea bags, and medical and filtration purpose. It offers its products under the Admiral, Aptan, Aquamelt, Astra, Atlantis, Brio, Classic, Corus, Dabond, Dolanit, Drybond, Dual Duty, Dymax, EcoCycle, EcoRegen, Eloflex, Epic, Firefly, Flame Master, Glasmo, Gral, Gramax, Helios, Hemseal, Itero, Lapwing Multi, Linen, Looks, Lucence, Magellan, Match, Monobond, Neophil, Nylbond, Nymo, Polymatic, Prolene, Protos, Pyrostar, Seamsoft, Secura, Signal, Supersheen, Surfilor, Sylko, Team, Terko Satin, Tre Cerchi, Tristar, Trusew, Ultimax, Ultra Dee, Ultra Lock, Armoren, CoatsKnit, FlamePro, Gotex, RecLID Teabag, Stricose FH, Ultrabloc, Webflex, XTRU, Lattice, Synergex, Opti LUX, Opti M, Opti P, Opti Pullers, Opti RT, Opti S, Coats Connect, Coats Permess, and Coats Signal brand names. The company was formerly known as Guinness Peat Group plc and changed its name to Coats Group plc in March 2015. Coats Group plc was incorporated in 1909 and is based in Bristol, the United Kingdom.
DuPont de Nemours, Inc.	DuPont de Nemours, Inc. provides technology-based materials and solutions in the United States, Canada, the Asia Pacific, Latin America, Europe, the Middle East, and Africa. It operates through Electronics & Industrial, Water & Protection, and Corporate & Other segments. The Electronics & Industrial segment supplies materials and solutions for the fabrication of semiconductors and integrated circuits addressing various steps of the manufacturing process. This segment also provides semiconductor and advanced packaging materials; dielectric and metallization solutions for chip packaging; and silicones for light emitting diode packaging and semiconductor applications; permanent and process chemistries for the fabrication of printed circuit boards to include laminates and substrates, and electroless and electrolytic metallization solutions, as well as patterning solutions, and materials and metallization processes for metal finishing, decorative, and industrial applications. In addition, it offers various materials to manufacture rigid and flexible displays for organic light emitting diode, and other display applications, as well as provides high performance parts, and specialty silicone elastomers, and lubricants to automotive, aerospace, electronics, industrial, and healthcare markets. The Water & Protection segment provides engineered products and integrated systems for worker safety, water purification and separation, transportation, energy, medical packaging and building materials. The Corporate & Other segment offers auto adhesives and fluids; Multibase; and Tedlar products. The company was formerly known as DowDuPont Inc. and changed its name to DuPont de Nemours, Inc. in June 2019. DuPont de Nemours, Inc. was incorporated in 2015 and is headquartered in Wilmington, Delaware.
Lenzing Aktiengesellschaft	Lenzing Aktiengesellschaft, together with its subsidiaries, produces and markets wood-based cellulosic fibers for the textile and nonwoven sectors in Austria, rest of Europe, Asia, the Americas, and internationally. The company operates through Division Fiber, Division Pulp, and Others segments. It offers lyocell fibers for applications in textiles products, such as denim, sports and outdoor wear, and lingerie and underwear; hygiene articles, which include baby wipes, facial sheet masks, and surface cleaning; and protective wear, engineered products, and packaging products under the LENZING, TENCEL, VEOCEL, and LENZING ECOVERO brand names. The company also provides biorefinery products comprising acetic acid biobased, furfural biobased, magnesium lignosulphonate biobased, soda ash, sodium sulphate, and xylose. It also engages in the training and personnel development activities. The company was formerly known as Chemiefaser Lenzing AG and changed its name to Lenzing Aktiengesellschaft in 1984. Lenzing Aktiengesellschaft was founded in 1892 and is headquartered in Lenzing, Austria.
Deckers Outdoor Corporation	Deckers Outdoor Corporation, together with its subsidiaries, designs, markets, and distributes footwear, apparel, and accessories for casual lifestyle use and high-performance activities in the United States and internationally. The company offers premium footwear, apparel, and accessories under the UGG brand name; footwear and apparel for ultra-runners and athletes under the Hoka brand; and sandals, shoes, and boots under the Teva brand name. It also provides relaxed casual shoes and sandals under the Sanuk brand name; and casual footwear fashion line under the Koolaburra brand. The company sells its products through domestic and international retailers; international distributors; and directly to its consumers through its direct-to-consumer business, which includes e-commerce websites and retail stores. Deckers Outdoor Corporation was founded in 1973 and is headquartered in Goleta, California.

Source: Capital IQ

Appendix B: Movement in the Valuation of Comparable Trading Companies

This section sets out information in relation to the movement in valuations of listed comparable companies that we consider broadly comparable to Alexium.

B.1 Listed comarable company cumulative returns since Jan 2022

It is useful to analyse the movement of valuations of exchange listed comparable companies to assist with the assessment of current market conditions relevant to the valuation. We consider this information, in the context of the relevance of information content in the historical transaction multiples as well. This is especially useful in times of significant market volatility similar to that is experienced in year 2022. However, generally speaking, comparable trading multiples need to be treated with caution as not all companies operating in comparable industries can be readily compared to Alexium.

Source: Capital IQ

B.2 Movement in listed comparable company revenue multiples since January 2022

Stated below are the movement in revenue multiples of comparable companies between 15 January 2022 to 15 January 2024.

Table B.1: Movement of Broadly Comparable Company Transaction Multiples

		EV/LTM Revenue Multiple	
Company name	**Ticker**	**15-Jan-22**	**15-Jan-24**
Lakeland Industries, Inc.	NasdaqGM:LAKE	1.3x	0.9x
Versarien plc	AIM:VRS	15.1x	0.9x
HeiQ Plc	LSE:HEIQ	7.7x	0.9x
iFabric Corp.	TSX:IFA	10.6x	1.6x
Superior Group of Companies, Inc.	NasdaqGM:SGC	0.9x	0.6x
Unisync Corp.	TSX:UNI	1.0x	0.8x
Purple Innovation, Inc.	NasdaqGS: PRPL	3.7x	0.4x
Delta Apparel, Inc.	NYSEAM:DLA	0.9x	0.6x
Clarus Corporation	NasdaqGS:CLAR	2.4x	0.9x
Coats Group plc	LSE:COA	1.2x	1.3x
DuPont de Nemours, Inc.	NYSE:DD	4.0x	3.2x
Lenzing Aktiengesellschaft	WBAG:LNZ	2.0x	1.3x
Deckers Outdoor Corporation	NYSE:DECK	4.0x	4.4x
Min		**0.9x**	**0.4x**
Mean		**4.2x**	**1.4x**
Median		**2.4x**	**0.9x**
Max		**15.1x**	**4.4x**

Source: Capital IQ

Appendix C: Control Premium

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed the control premiums on completed transactions, paid by acquirers of general technology companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e., less than a 0% premium) and at a premium in excess of 100%. We have summarised our findings below:

Table C.1: General Technology Companies

Year	Number of Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2023	3	217.45	55.59
2022	6	291.17	23.56
2021	7	177.48	36.79
2020	2	55.68	34.03
2019	2	114.33	34.12
2018	2	767.43	34.92
2017	2	68.87	8.88
2016	2	281.19	36.17
2015	0	0.00	0.00
2014	2	96.12	29.23
2013	1	184.72	55.56

***Source:** Bloomberg, BDO Analysis*

Table C.2: All ASX Listed Companies

Year	Number of Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2023	15	393.35	28.95
2022	39	3,199.03	23.39
2021	29	1,348.05	34.75
2020	16	367.97	40.43
2019	29	4,165.55	32.83
2018	26	1,571.79	30.07
2017	24	1,168.71	36.75
2016	28	490.46	38.53
2015	28	948.39	33.53
2014	36	485.46	37.39
2013	13	102.15	40.95

***Source:** Bloomberg, BDO Analysis*

The mean and median of the entire data sets comprising control transactions since 2013 for general technology companies and all ASX listed companies, respectively, are set out below.

Table C.3: Summary of Control Premiums

	General Technology Companies		All ASX-Listed Companies	
Entire Data Set Metrics	Deal Value (A$m)	Control Premium (%)	Deal Value (A$m)	Control Premium (%)
Mean	227.37	33.65	1,493.56	33.62
Median	129.39	28.60	121.70	29.51

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer’s business;
- Level of pre-announcement speculation of the transaction;

- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

We have removed transactions for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

The table above indicates that the long-term average control premium by acquirers of general technology companies and all ASX-listed companies is approximately 33.65% and 33.62% respectively. In a population where there are outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was 28.60% for all general technology companies and 29.51% for all ASX-listed companies.

We consider an appropriate control premium for Alexium to be at the low end of the historical averages, noting the following:

- Colinton already has negative control and significant influence of Alexium through its existing 12.8% interest in ordinary equity and the Convertible Note. Specifically, the Convertible Note provides Colinton with an existing conversion right at A$0.03 per share, which if exercised, would increase Colinton's interest in Alexium to approximately 38%, all else equal).
- Nevertheless, Colinton's interest in Alexium may increase to a maximum of 51.8% as a result of the Proposed Transactions, providing it with an absolute majority.
- Accordingly, the likelihood of shareholders being able to participate in a control transaction will be partially diminished as a result of the Proposed Transactions.

Based on the above, we consider an appropriate premium for control to be 20%.

BDO

Appendix D: Multiples of Comparable Transactions

Table D.1 below sets out information on recent transactions involving companies that may be broadly considered comparable to Alexium.

Table D.1: Broadly Comparable Company Transaction Multiples

Target name	Country	Transaction Value (A$ million)	Implied Enterprise Value (A$ Million)	% Sought	Date announced	Revenue Multiple	EBITDA Multiple	EBITDA Margin	EBIT Margin
Dainese S.p.A	Italy	956.2	943.7	100%	11-Mar-22	2.5	NA	NA	NA
Casper Sleep Inc.	United States	525.7	451.3	100%	15-Nov-21	0.6	NA	NA	NA
Sioen Industries NV	Belgium	280.6	958.9	34%	27-Jan-21	1.2	10.5	11.4%	6.4%
Bristol Uniforms Limited	United Kingdom	78.0	78.0	100%	25-Jan-21	1.5	NA	NA	NA
Min						**0.6x**			
Average						**1.4x**			
Median						**1.4x**			
Max						**2.5x**			

Source: Capital IQ, Transaction announcements

BDO

Table D.2: Target Descriptions - Broadly Comparable Transactions

Company	Company Description
Dainese S.p.A	Dainese S.p.A manufactures and sells protective clothing and gear products for motorcycle, bike, AGV, equestrian, and other sports. The company offers leather suits, jackets, pants, helmets, safety boots, shoes, gloves, casual wear, technical and thermal layers, accessories, knitwear, down jackets, trousers, underwear, goggles, and other safety products. It also provides D-air, a protection system that detects dangerous situations and automatically inflates special airbags around the rider's body. The company sells its products through stores and online in Italy and internationally. Dainese S.p.A was founded in 1972 and is based in Molvena, Italy.
Casper Sleep Inc.	Casper Sleep Inc., together with its subsidiaries, designs and sells sleep products to consumers in the United States, Canada, and Europe. It offers a range of mattresses, pillows, sheets, duvets, bedroom furniture, sleep accessories, sleep technology, and other sleep-centric products and services. As of December 31, 2020, the company distributed its products through its e-commerce platform, 67 Casper retail stores, and 20 retail partners. Casper Sleep Inc. was formerly known as Providence Mattress Company. The company was incorporated in 2013 and is based in New York, New York. As of January 25, 2022, Casper Sleep Inc. was taken private.
Sioen Industries NV	Sioen Industries NV provides coated technical textiles and apparels. It operates through three segments: Coating, Apparel, and Chemicals. The Coating segment offers yarns and woven fabrics; non-woven fabrics, including films and sheets for automotive and industrial sector; coated technical textiles; and finished products, as well as processes coated fabrics and PVC membranes for industrial applications. The Apparel segment provides professional and chainsaw protective clothing; fire intervention suits; life jackets and floatation suits; professional drysuits; workwear; ballistic jackets; and hunting, fishing, and lifestyle clothing. The Chemicals segment offers pigment pastes, printing inks and extenders, varnishes, digital inks, color dispersions, and clearing agents. The company also engages in the real estate activities. It operates in France, Germany, Eastern Europe, Belgium, the Netherlands, Scandinavia, the United Kingdom, Italy, the United States, Austria, China, Spain, Switzerland, Portugal, Ireland, and internationally. The company was founded in 1960 and is based in Ardooie, Belgium. Sioen Industries NV is a subsidiary of Sihold NV.
Bristol Uniforms Limited	Bristol Uniforms Limited designs, manufactures, and supplies emergency services personal protective garments. The company offers fire coats and trousers; structural firefighter clothing; urban search and rescue products; compatible PPE and rescue tools, including helmets, flash hoods, gloves, and boots; marine firefighting products; protective garments for the police and ambulance services; integrated clothing project for operational PPE, station wear, corporate wear, undress clothing, sportswear, and procurement and service options. It offers products and services through a network of distributors worldwide. Bristol Uniforms Limited was founded in 1801 and is based in Bristol, United Kingdom. Bristol Uniforms Limited operates as a subsidiary of MSA Great Britain Holdings Limited.

Source: Capital IQ

ALEXIUM

Proxy Voting Form

If you are attending the Meeting in person, please bring this with you for Securityholder registration.

Alexium International Group Limited | ABN 91 064 820 408

Your proxy voting instruction must be received by **09.00am (AEDT) on Tuesday, 02 April 2024**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form , including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online

Use your computer or smartphone to appoint a proxy at

https://investor.automic.com.au/#/loginsah or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:

Automic

GPO Box 5193

Sydney NSW 2001

IN PERSON:

Automic

Level 5, 126 Phillip Street

Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE:

https://automicgroup.com.au/

PHONE:

1300 288 664 (Within Australia)

+61 2 9698 5414 (Overseas)

STEP 1 - How to vote

APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the Extraordinary General Meeting of Alexium International Group Limited, to be held at **09.00am (AEDT) on Thursday, 04 April 2024 at Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000** hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

STEP 2 - Your voting direction

	Resolutions	For	Against	Abstain
1	Approval of issue of securities to Colinton Capital Partners Pty Ltd			
2	Issue of placement shares to unrelated parties			
3	Issue of placement shares to related party – William Blackburn			
4	Issue of placement shares to related party – Paul Stenson			
5	Issue of placement shares to related party – Robert Brookins			

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

AUTOMIC

AJX