

5 April 2018

Dear Shareholder

**RE: UPCOMING EGM FOR WHICH A NOTICE OF MEETING WILL SHORTLY BE ISSUED**

Shortly, you will receive a notice of meeting (**Notice of Meeting**) for all shareholders of Alexium International Group Limited (**Alexium**) to consider resolutions relating to a number of matters, including:

1. the presentation for election of the most recently appointed Directors;
2. an approval for all of the Company's Directors to subscribe for new ordinary shares in the Company at 35c each following their participation in the December 2017 placement;
3. approvals to ratify the issue of shares from past placements; and
4. an approval to ratify the issue of any future shares under the convertible note that was issued by Alexium in September 2017 to US based GPB Debt Holdings II LLC (**Note**) under Alexium's 15% placement capacity.

All of the Company's Directors agreed to participate in the 2017 Placement at 35c per share but can only do so with shareholder approval, which approval will be sought at the EGM.

Additional information in relation to the Note is set out in the annexure below. The EGM will contain resolutions to ratify any potential future share issue under the Note. This same information herein will also be detailed in the Notice of Meeting.

Information regarding the Note was set out in Alexium's Annual Report (announced to ASX on 2 October 2017) and its Half Yearly Report (announced to ASX on 28 February 2018), being a convertible note issued by Alexium on 29 September 2017 pursuant to a US\$10 million debt facility with a 3-year term and an interest rate of 13.5%

The Note was issued under Alexium's 15% placement capacity which was available under ASX Listing Rule 7.1. The effect of the issue of the convertible note on Alexium's ongoing placement capacity was then reflected in the Appendix 3Bs issued by Alexium following the issue of the Note.

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As part of the Note, Alexium also issued a warrant exercisable into 4,255,319 Shares (subject to adjustments) at \$0.47 per Share (subject to adjustments). The warrant was also issued under its Listing Rule 7.1 placement capacity. The exercise price of the warrant was adjusted to 35c in December 2017 as being the price under the December 2017 placement.

Shareholders should consider the Notice of Meeting and all the information outlined in the Notice of Meeting. Alexium encourages shareholders to exercise their right to vote on all resolutions contained in the Notice of Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Gavin R.' with a horizontal line underneath.

**Gavin Rezos**  
**Non-Executive Chair**

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## Annexure - Key terms of the 2017 Convertible note

<b>1. Face Value (US\$)</b>	US\$10,000,000
<b>2. Interest Rate (%)</b>	<p>13.5% per annum, accruing daily, payable monthly in cash (on the first day of each calendar month and on each date that any principal is repaid) until the Note is repaid in full (or converted).</p> <p>A default rate of the lesser of 18.5% per annum and the maximum amount permitted under applicable law, will apply at all times after an event of default has occurred, until such event of default has been cured.</p>
<b>3. Guarantee and Security</b>	Each of Alexium, Inc (Delaware), Alexium, Ltd (Cyprus) and any other subsidiary of the Company guarantees the payment and performance of all obligations of the Company. The Company has granted the holder a first lien over all assets of the Company, except as specified in the Securities Purchase Agreement.
<b>4. Repayment Date (if not converted)</b>	28 September 2020 ( <b>Repayment Date</b> ).
<b>5. Conversion Price</b>	<p>Subject to section 12 below, the Conversion Price is the lower of:</p> <p>(a) US\$0.47;</p> <p>(b) the lowest issue price of any Shares (or equivalent) issued by the Company during the term of the Convertible Note; and</p> <p>(c) the lowest exercise price of any options or rights to purchase Shares (or equivalent) issued by the Company during the term of the Convertible Note,</p> <p><b>(Conversion Price)</b>.</p> <p>Items (b) and (c) above exclude certain issues such as issues to Directors, employees, officers, or any subsidiary of the</p>

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	<p>Company in accordance with certain stock or option plans, and securities issued pursuant to certain strategic acquisitions.</p> <p>Where the Company subdivides by split, dividend, recapitalisation or otherwise, or combines by combination, reverse split or otherwise, its outstanding shares of ADSs into a different number of shares of ADSs, without a proportionate adjustment to the number of Shares represented by the ADSs, the Conversion Price and number of ADSs will be proportionately adjusted.</p>
<b>6. Conversion period</b>	<p>Provided that a Conversion Condition (defined below) has occurred, the holder may, at any time prior to the Repayment Date convert that portion of the then outstanding principal amount of the Convertible Note into Shares or ADRs, up to a maximum of 35,922,041 Shares (or corresponding ADRs).</p>
<b>7. Conversion Condition</b>	<p>A conversion condition means the occurrence and/or announcement of a change of control transaction, which includes:</p> <ul style="list-style-type: none"> <li>(a) an acquisition of effective control of in excess of 50% of the voting securities of the Company;</li> <li>(b) the Company and/or a subsidiary merging with another individual or entity, following which the shareholders of the Company prior to the transaction hold less than 50% of the issued capital of the Company or successor entity of such transaction;</li> <li>(c) the Company and/or a subsidiary sells or transfers all or substantially all of its assets to another, and the shareholders of the Company immediately prior to the transaction own less than 50% of the acquiring entity immediately after the transaction;</li> </ul>

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	<p>(d) a replacement within a three-year period of more than half of the Board which is not approved by a majority of the board of the Company who were current at the time of issue of the Convertible Note (or approved by board members who were approved by a majority of such board); or</p> <p>(e) the execution of any agreement by the Company providing for the above events to occur,</p> <p><b>(Conversion Condition).</b></p>								
<p><b>8. Early Redemption</b></p>	<p>The Company may prepay the Convertible Note in whole or in part at any time prior to the Repayment Date, provided that an event of default has not occurred, by giving 20 days written notice to the holder (<b>Early Redemption Notice</b>).</p> <p>Where within the 20 days after receipt of the Early Redemption Notice, a Conversion Condition occurs, the holder shall have the right to convert the Convertible Note in whole or in part at the then Conversion Price.</p>								
<p><b>9. Success Fee</b></p>	<p>On each date that the Company makes a payment to the holder of principal, the Company shall also pay the holder a success fee as follows:</p> <table border="1" data-bbox="638 1073 1312 1516"> <thead> <tr> <th data-bbox="638 1073 976 1157">Period during which payment occurs</th> <th data-bbox="976 1073 1312 1157">Success fee payable</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 1157 976 1276">Between original issue date and 28 September 2018</td> <td data-bbox="976 1157 1312 1276">1.5% of the principal amount paid on a payment date</td> </tr> <tr> <td data-bbox="638 1276 976 1396">Between 29 September 2018 and 28 September 2019</td> <td data-bbox="976 1276 1312 1396">3.0% of the principal amount paid on a payment date</td> </tr> <tr> <td data-bbox="638 1396 976 1516">On or after 29 September 2019</td> <td data-bbox="976 1396 1312 1516">4.5% of the principal amount paid on a payment date</td> </tr> </tbody> </table>	Period during which payment occurs	Success fee payable	Between original issue date and 28 September 2018	1.5% of the principal amount paid on a payment date	Between 29 September 2018 and 28 September 2019	3.0% of the principal amount paid on a payment date	On or after 29 September 2019	4.5% of the principal amount paid on a payment date
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<p><b>10. Bonus issues</b></p>	<p>If there is a pro rata bonus issue or pro rata dividend to be paid only in Shares, to the holders of Shares, the number of Shares issuable on conversion of the Convertible Note will be increased by the number of Shares which the holder would have received if the Convertible Note had been converted prior to the record date for the bonus issue or share dividend.</p>
<p><b>11. Participation Rights</b></p>	<p>The Convertible Note does not entitle the holder to any voting rights, dividends, or other rights as a Shareholder prior to conversion.</p>
<p><b>12. Reconstruction</b></p>	<p>(a) In a consolidation or sub-division, the number of Shares issuable on conversion of the Convertible Note will be consolidated or sub-divided, and the number of shares represented by an ADR (currently 40) (<b>Ordinary Share Factor</b>) will be adjusted in the same ratio as the consolidation or sub-division, and the Conversion Price will be amended in inverse proportion to that ratio.</p> <p>(b) In a return of capital, the number of Conversion Shares/ADRs will remain the same, and the corresponding Conversion Price will be reduced by the amount of the cash or value of Shares, securities or other property returned in relation to each Share, multiplied by the Ordinary Share Factor.</p> <p>(c) In a reduction of capital by cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled, the number of Conversion Shares, the corresponding Conversion Price and the Ordinary Share Factor will remain unchanged.</p> <p>(d) If after the date of issue of the Convertible Note, the Ordinary Share Factor is increased or decreased, then the number of ADSs to be provided on conversion will be changed in inverse proportion to the increase or decrease in the ADS ratio Shares per ADS and the</p>

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	Conversion Price will be changed in proportion to the change in Shares per ADS, so that the total number of conversion Shares/ADRs underlying the Convertible Note, and the Conversion Price remain unchanged.
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