ChemX Materials Limited

ABN 88 644 982 123

Interim Report - 31 December 2023

ChemX Materials Limited
Corporate directory
31 December 2023

Directors	Warrick Hazeldine Stephen Strubel Alwyn Vorster Tara Berrie (resigned 26 October 2023)
Company secretary	Stephen Strubel
Registered office	Danpalo Group Pty Ltd Suite 1, 1 Tully Road East Perth WA 6004
Principal place of business	3 Flindell Street O'Connor WA 6163
Share register	Computershare Investor Services Pty Limited Level 17 221 St Georges Terrace Perth WA 6000 Phone: 1300 850 505
Auditor	William Buck Audit (VIC) Pty Ltd Level 20, 181 William Street Melbourne Vic 3000
Solicitors	Steinepreis Paganin Level 4, 50 Market Street Melbourne VIC 3000
Stock exchange listing	ChemX Materials Limited shares are listed on the Australian Securities Exchange (ASX code: CMX)
Website	www.chemxmaterials.com.au

ChemX Materials Limited
Directors' report
31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ChemX Materials Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the six-month period ended 31 December 2023.

Directors
The following persons were Directors of ChemX Materials Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Warrick Hazeldine – Independent Non-Executive Chair
Stephen Strubel - Executive Director
Alwyn Vorster - Independent Non-Executive Director
Tara Berrie – Non-Executive Director (resigned 26 October 2023)

Principal activities
The principal activity is the development of its propriety High Purity Alumina ® (HiPurA) technology and mining exploration.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations
The loss for the Group after providing for income tax amounted to $1,911,696 (31 December 2022: $2,449,542).

The improved result is largely driven by lower employee and corporate expenses partly offset by increased finance charges associated with the $2,200,000 raised the convertible notes issued during the year. The lower employee expenses are largely due to the expensing of performance rights issued to key management personnel in the previous reporting period. The lower corporate expenses reflect management decisions to reduce the use of consultants and appoint roles internally including the replacement of the previous CEO with former Chief Operating Officer, Mr Peter Lee.

During the reporting period the Company reported a maiden JORC Manganese Resource of 13.7mt at 5.7 Mn%, and initiated an internal scoping study was which is still ongoing at the date of this report. The Company also made significant progress on the development of its High Purity Alumina (HPA) Project and reported that the HPA Micro Plant achieved the targeted purity levels of 99.99% HPA. At the close of the reporting period, the larger scale HPA Pilot Plant was under construction with orders placed for long lead time items together with further investments made in the Company's internal laboratory.

Operating cash outflows improved slightly at $1,182,016 (31 December 2022: $1,277,451) on the back of government research and development grants received totalling $919,600 (31 December 2022: $342,435).

The cash balance at the end of the reporting period was $1,229,526 (30 June 2023: $798,012).

The major financing activity for the period occurred on 4 August 2023 when the Company announced a $6,000,000 unsecured convertible note funding facility with Mercer Street Global Opportunity Fund, LLC. The funding facility allowed for $500,000 to be drawn immediately (Tranche 1) and a further $1,700,000 (Tranche 2) drawn following shareholder approval on 26 September 2023. The purpose of the funding facility is to maintain momentum and advance the Eyre Peninsula High purity Manganese Project (HPM) in South Australia and HiPurA HPA Project in Perth, Western Australia.

Further facility drawdowns against the unused facility of $3,800,000 may also require shareholder approval.

Tranche 1 and Tranche 2 comprised the issue of 600,000 and 2,040,000 convertible notes respectively with a face value of $1.00. Assuming a Floor Price of $0.06 per share, the conversion of Tranche 1 and Tranche 2 convertible notes will result in the issue of a maximum of 10,000,000 and 34,000,000 fully paid ordinary shares respectively. Tranche 1 was issued 14 August 2023 and Tranche 2 was issued 9 October 2023. The maturity date for both Tranche 1 and Tranche 2 is 15 months from the date issue.

Under the terms of the funding facility the Company also issued the following equity securities:
* 2,415,761 (Tranche 1) and 155,668 (Tranche 2) fully paid ordinary shares (commencement shares),and
* 2,272,727 (Tranche 1) and 6,179,009 (Tranche 2) options to acquire fully paid ordinary shares with exercise prices of $0.11 and $0.1376 respectively. The options expire three years after the issue date being 9 October 2023.

Significant changes in the state of affairs
Aside from the matters referred to in the review of operations above, there were no significant changes in the state of affairs of the Group during the financial period other than those stated on the review of operations.

Matters subsequent to the end of the financial period
No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Deferred consideration shares
Deferred Consideration Shares, also referred to as contingent consideration, relate to the acquisition of HiPurA Pty Ltd which was completed on 31 December 2021. The details are provided below.

(i) As at 30 June 2022, the number of Deferred Consideration Shares pending issue was 4,500,000 at a fair value of $0.20 per share totalling $900,000 which was credited to the share based payments reserve.
(ii) The terms and conditions attached to the Deferred Consideration Shares allows for 2,000,000 shares to be issued upon the completion of the Flow Sheet Design and a further 2,500,000 shares to be issued upon commissioning the HiPurA Pilot Plant.
(iii) During the previous reporting period, on 1 September 2022, the Company issued 2,000,000 Deferred Consideration Shares upon completion of the Flow Sheet Design milestone.
(iv) At the date of this report the number of Deferred Consideration Shares pending issue was 2,500,000. No Deferred Consideration Shares were cancelled during the reporting period.
(v) Upon the commissioning the HiPurA Pilot Plant, 2,500,000 Deferred Consideration Shares will be issued.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

____
Mr Stephen Strubel
Executive Director

13 March 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of ChemX Materials Limited

As lead auditor for the review of ChemX Materials Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ChemX Materials Limited and the entities it controlled during the period.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Melbourne, 13 March 2024

Contents

General information

The financial statements cover ChemX Materials Limited as a Group consisting of ChemX Materials Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is ChemX Materials Limited's functional and presentation currency.

ChemX Materials Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Danpalo Group Pty Ltd Suite 1, 1 Tully Road East Perth WA 6004	3 Flindell Street O'Connor WA 6163

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 March 2024.

ChemX Materials Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2023

	Note	Consolidated	
		31 Dec 2023 $	31 Dec 2022 $
Revenue			
Government grants		211,809	154,683
Interest income		785	8,987
Gain / (loss) on remeasurement of convertible note embedded derivatives	7	21,292	-
Expenses			
Employee benefits expense		(783,589)	(1,255,289)
Corporate expense		(497,466)	(815,680)
Development Expense		(627,330)	(527,881)
Finance charges		(237,197)	(14,362)
Loss before income tax expense		(1,911,696)	(2,449,542)
Income tax expense		-	-
Loss after income tax expense for the period		(1,911,696)	(2,449,542)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(1,911,696)	(2,449,542)
		Cents	**Cents**
Basic earnings per share	12	(2.02)	(2.68)
Diluted earnings per share	12	(2.02)	(2.68)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ChemX Materials Limited
Statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Assets			
Current assets			
Cash and cash equivalents		1,229,526	798,012
Other receivables	4	343,164	1,049,569
Term deposits		-	20,000
Other assets		78,813	5,631
Total current assets		1,651,503	1,873,212
Non-current assets			
Property, plant and equipment		37,608	39,279
Right-of-use assets		498,128	565,785
Intangibles	5	1,040,179	1,105,534
Exploration and evaluation	6	4,696,670	4,324,509
Other assets		68,807	88,807
Total non-current assets		6,341,392	6,123,914
Total assets		7,992,895	7,997,126
Liabilities			
Current liabilities			
Trade and other payables		394,412	636,754
Borrowings	7	1,389,253	-
Lease liabilities		124,582	117,390
Employee benefits		81,472	74,969
Total current liabilities		1,989,719	829,113
Non-current liabilities			
Lease liabilities		410,859	475,286
Employee benefits		239	249
Total non-current liabilities		411,098	475,535
Total liabilities		2,400,817	1,304,648
Net assets		5,592,078	6,692,478
Equity			
Issued capital	8	11,331,774	11,130,414
Reserves		2,208,762	1,747,206
Accumulated losses		(7,948,458)	(6,185,142)
Total equity		5,592,078	6,692,478

The above statement of financial position should be read in conjunction with the accompanying notes

ChemX Materials Limited
Statement of changes in equity
For the period ended 31 December 2023

Consolidated	Issued capital $	Share-based payments reserve $	Convertible note reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022	10,669,031	1,498,970	-	(2,002,836)	10,165,165
Loss after income tax expense for the period	-	-	-	(2,449,542)	(2,449,542)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(2,449,542)	(2,449,542)
Transactions with owners in their capacity as owners:					
Vesting of share-based payments	-	710,487	-	-	710,487
Shares issued as deferred consideration for achievement of intangible asset performance milestone (note 8)	400,000	(400,000)	-	-	-
Loyalty options issued (note 8)	113,465	-	-	-	113,465
Capital raising costs (note 8)	(52,082)	-	-	-	(52,082)
Balance at 31 December 2022	11,130,414	1,809,457	-	(4,452,378)	8,487,493

Consolidated	Issued capital $	Share-based payments Reserve $	Convertible note option cost reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2023	11,130,414	1,747,206	-	(6,185,142)	6,692,478
Loss after income tax expense for the period	-	-	-	(1,911,696)	(1,911,696)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,911,696)	(1,911,696)
Transactions with owners in their capacity as owners:					
Vesting of share-based payments	-	35,580	-	-	35,580
Performance rights lapsed	-	(148,380)	-	148,380	-
Shares issued pursuant to the convertible note facility	201,360	-	-	-	201,360
Options issued pursuant to the convertible note facility	-	-	574,356	-	574,356
Balance at 31 December 2023	11,331,774	1,634,406	574,356	(7,948,458)	5,592,078

The above statement of changes in equity should be read in conjunction with the accompanying notes

ChemX Materials Limited
Statement of cash flows
For the period ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(2,081,779)	(1,614,511)
Interest received		785	8,987
Interest and other finance costs paid		(20,622)	(14,362)
Government grants received		919,600	342,435
Net cash used in operating activities		(1,182,016)	(1,277,451)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,489)	(34,122)
Payments for exploration and evaluation		(267,400)	(247,260)
Payments for term deposits		(30,000)	(48,807)
Net cash used in investing activities		(298,889)	(330,189)
Cash flows from financing activities			
Proceeds from issue of options		-	113,465
Proceeds from issue of convertible notes	7	2,200,000	-
Share issue transaction costs		-	(52,082)
Transaction costs related to loans and borrowings	7	(230,346)	-
Repayment of lease liabilities		(57,235)	(29,194)
Net cash from financing activities		1,912,419	32,189
Net increase/(decrease) in cash and cash equivalents		431,514	(1,575,451)
Cash and cash equivalents at the beginning of the financial period		798,012	5,750,668
Cash and cash equivalents at the end of the financial period		1,229,526	4,175,217

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the annual report for the year ended 30 June 2023

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
The financial statements have been prepared on a going concern basis.

For the period ended 31 December 2023, the Group incurred a net loss of $1,911,696, had operating cash outflows of $1,182,016, net current liabilities of $338,216, net assets of $5,592,078 and a cash and cash equivalents balance of $1,229,526. Access to additional funding is expected to be needed to complete planned activities. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

However, it is important to note the following:
- as an ASX listed entity the Group has ready access to financial markets,
- the Group has a history of successful R&D rebate claims,
- the Group is not currently committed beyond its existing financial resources (refer to note 10 'Commitments'), and
- if required and subject to further agreement between the parties, the Group has access to a further $3,800,000 funding under its unsecured convertible note facility.

Based on the above and on its assessment of the cash flow projections over the ensuing 12 months from the date of this report the Board is satisfied that sufficient funds are available for the Group to pay its debts as and when they fall due for at least the next 12 months from the date of this report.

Accounting for borrowings with variable equity conversion features
Upon initial recognition, the directors assess borrowings with conversion clauses for fixed or variable conversion terms. Where terms are variable, as is disclosed in note 7 at initial recognition an embedded derivative is recognised at fair value, and the difference received between the consideration received for the note and the fair value of the derivative is recognised in the underlying host (debt) contract.

Thereafter at each reporting date, the embedded derivative is reassessed at its fair value, with changes in fair value taken to the profit or loss. The underlying host contract is recognised at amortised cost.

Costs of issuing the convertible note are amortised over the life of the underlying host contract.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recognition of refundable R&D tax offset receivable
With the successful track record of the Company in obtaining the Research and Development offset from the Australian Taxation Office (ATO), the estimated rebate for the 6 month's ended 31 December 2023 for $226,861 has been accrued into income for this reporting period.

The ATO has the right, extending back 4 tax years to investigate, audit and potentially clawback these research and development claims in the event that they fail to meet the necessary criteria as established under the research and development credit claim legislation and regulations. It is the directors' view that there is no probable likelihood that any potential action may take place based upon the following reasons:

- Upon submission of the claim, the ATO and AusIndustry conduct an overall desktop review of the claim, including the eligibility of any overseas research and development activity undertaken (which requires an Advanced Overseas Finding before being eligible);
- The industry environment in which the entity deals in is known for its research and development activities which have historically been supported through research and development claims; and
- The entity has a track record extending to last year of never ever being challenged on its research and development claims by the ATO or AusIndustry.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognized for deductible temporary differences and any unused tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Valuation of equity conversion features attached to the convertible notes
As disclosed in note 7 on 4 August 2023, the Company executed a $6,000,000 unsecured convertible note funding facility from Mercer Street Global Opportunity. The equity conversion features attached to the notes represent embedded derivatives which were recognised at fair value at the time of issue and thereafter at fair value at the end of each reporting period.

Aside from those inputs arising directly from the conversion clause entitlements and the Company's spot price applied at each remeasurement date, the key judgments applied in determining the fair value of the embedded derivatives, included the following:
a) an expected expiry date being the maturity date for each issue,
b) annualised volatility calculations, and
c) a risk-free rate based on the 1-year Australian Government Bond Rate Benchmark Yield.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3. Operating segments

Based on the information used for internal reporting purposes by the chief operating decision maker (directors of the Company) the Group operated in one reportable segment during the period which was mining exploration and the development of its propriety High Purity Alumina technology within Australia.

The reportable segment financial information is therefore the same as the statement of financial position and the statement of profit or loss and other comprehensive income.

Note 4. Other receivables

	Consolidated	
	31 Dec 2023 $	**30 Jun 2023 $**
Current assets		
Refundable R&D tax offset receivable	226,861	934,652
BAS receivable	116,303	114,917
	343,164	1,049,569

Note 5. Intangibles

	Consolidated	
	31 Dec 2023 $	**30 Jun 2023 $**
Non-current assets		
Intellectual Property - at cost*	1,300,000	1,300,000
Less: Accumulated amortisation	(259,821)	(194,466)
	1,040,179	1,105,534

*High Purity Alumina processing technology.

Note 6. Exploration and evaluation

	Consolidated	
	31 Dec 2023 $	**30 Jun 2023 $**
Non-current assets		
Exploration and evaluation	4,696,670	4,324,509

	Consolidated 31 Dec 2023 $
Exploration and evaluation at end of the current period comprises:	
Mineral exploration licences EL 5920 & EL 6634 located on the Eyre Peninsula.	
- Deposits paid	150,000
- Share based payments	2,314,224
- Legal fees	26,646
- Exploration and evaluation expenditure	1,833,639
Balance as at 30 June 2023	4,324,509
- Exploration and evaluation expenditure	372,161
Balance as at 31 December 2023	4,696,670

Note 7. Borrowings

On 4 August 2023 the Company executed a $6,000,000 unsecured convertible note funding facility from Mercer Street Global Opportunity Fund, LLC for the purpose of advancing the Eyre Peninsula High Purity Manganese Project (HPM) in South Australia and HiPurA HPA Project in Perth, Western Australia. The initial drawdown was $500,000 (Tranche 1) and a further $1,700,000 (Tranche 2) was drawn following shareholder approval granted on 26 September 2023.

Tranche 1 and Tranche 2 comprised the issue of 600,000 and 2,040,000 convertible notes respectively with a face value of $1.00. Assuming a Floor Price of $0.06 per share, the conversion of Tranche 1 and Tranche 2 convertible notes will result in the issue of a maximum of 10,000,000 and 34,000,000 fully paid ordinary shares respectively. Tranche 1 was issued 14 August 2023 and Tranche 2 was issued 9 October 2023. The maturity date for both Tranche 1 and Tranche 2 is 15 months from the date issue.

The convertible notes have a zero coupon and therefore no interest is payable with the exception of a default event.

The equity conversion features attached to the notes represent embedded derivatives which were recognised at fair value at the time of issue and thereafter at fair value at the end of each reporting period.

The table below demonstrates the convertible note movements for the reporting period.

	Consolidated	
	31 Dec 2023	**30 Jun 2023**
	$	**$**
Reconciliation		
Addition of convertible notes at face value (Tranche 1 and 2)	2,640,000	-
Discount convertible notes to fair value (Tranche 1 and 2)	(440,000)	-
Facility transaction costs		
- Fair value of costs settled by the issue of options	(574,356)	-
- Fair value of costs settled by the issue of shares (note 8)	(201,360)	-
- Costs settled in cash	(230,346)	-
Change in fair value of embedded derivatives	(21,292)	-
Amortisation of convertible notes (finance charges)	216,607	-
	1,389,253	-

The Directors appointed an external valuation expert to perform a fair valuation of the embedded derivatives as at the respective issue dates and as at 31 December 2023. The fair value methodology adopted by the external valuer was the Monte Carlo Simulation model. The table below demonstrates the value of the embedded derivatives and host liability at the end of the reporting period.

	Consolidated	
	31 Dec 2023	**30 Jun 2023**
	$	**$**
Current liability		
Convertible note - host liability - at amortised cost	1,324,089	-
Convertible note - fair value of embedded derivatives	65,164	-
	1,389,253	-
Face value of notes	2,640,000	

Note 7. Borrowings (continued)

Additional fair value information
As at 31 December 2023, the Group has $nil financial assets or liabilities where the fair value measurement is based on quoted prices in active markets (Level 1 hierarchy) or significant unobservable inputs (Level 3 hierarchy). This is consistent with 30 June 2023. As at 31 December 2023 fair values of the embedded derivatives are measured using significant observable inputs (Level 2 hierarchy). There has been no change in the Group's valuation process, valuation techniques and types of inputs used in the fair value measurement at the end of the reporting period and in comparison to prior period. There have been no transfers between levels of fair value hierarchy at the end of the period.

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position. For these instruments, the fair values are not materially different to their carrying amounts.

Note 8. Issued capital

	Consolidated			
	31 Dec 2023 Shares	**30 Jun 2023 Shares**	**31 Dec 2023 $**	**30 Jun 2023 $**
Ordinary shares - fully paid	95,343,173	92,771,744	11,218,309	11,016,949
Listed loyalty options [1]	-	-	113,465	113,465
Total issued capital	95,343,173	92,771,744	11,331,774	11,130,414

(1) On 11 July 2022, the Company issued 22,693,038 listed options under the trading symbol of CMXO. The options expire 11 July 2025 and the exercise price is $0.30.

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2023	92,771,744		11,016,949
				-
Shares issued pursuant to the convertible note facility	14 August 2023	2,415,761	$0.0781	188,488
Shares issued pursuant to the convertible note facility	9 October 2023	155,668	$0.0827	12,872
Balance	31 December 2023	95,343,173		11,218,309

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Upon a poll every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Listed loyalty options
For each option held, the holder is entitled to exercise a right to acquire one fully paid ordinary share by paying the exercise price any time prior to the expiry date. The option does not provide any entitlements to dividends, voting at shareholder meetings or proceeds on the winding up of the Company.

Share buy-back
There is no current on-market share buy-back.

Note 8. Issued capital (continued)

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Group may look to raise capital when an opportunity to invest in a business or existing asset growth acceleration was seen as value adding relative to the current Company's share price at the time of the investment.

Note 9. Contingent liabilities

The previous owner of the mineral exploration licences is entitled to a 2% Net Smelter Return royalty on the value of all minerals (excluding graphite) extracted from the Tenements. Refer note 6 'Exploration and evaluation'.

The Company has a contingent liability associated with a $20,000 environmental bond and in the same amount.

The Company has a contingent liability associated with a $48,807 bank guarantee facility for the commercial property lease and in the same amount.

Note 10. Commitments

	Consolidated	
	31 Dec 2023 $	30 Jun 2023 $
Minimum exploration expenditure commitments		
Within one year	140,000	140,000
One to five years	560,000	560,000
More than five years	140,000	140,000
	840,000	840,000

The Company holds two mineral exploration licences EL 5920 & EL 6634 located on the Eyre peninsula.

Expenditure commitments are reported and assessed every two years in an Expenditure Return. If expenditure commitments have not been met, the license holder can request a variation to their expenditure commitment and ask to have the underspend carried over into the future term, or they can request to have the expenditure commitment waived, or they can request to reduce the area of the license to ensure compliance.

EL 5920 is due to expire on 19 February 2028. On 27 January 2022 a renewal application was lodged to extend the expiry date to 19 February 2028.

EL 6634 is due to expire on 31 January 2026.

In the 2022 financial year, the Group entered as a party to a research project with Future Battery Industries CRC Limited with a commitment to contribute $500,000 spread across agreed projects. During the previous financial year this was reduced to $477,600 in recognition of storage of equipment by the Group.

As at 31 December 2023, the Group has contributed $209,750 towards the $477,600 commitment.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2023	**31 Dec 2022**
	$	**$**
Loss after income tax	(1,911,696)	(2,449,542)
	Cents	**Cents**
Basic earnings per share	(2.02)	(2.68)
Diluted earnings per share	(2.02)	(2.68)

The performance rights, options and convertible notes on issue are non-dilutive as the Group has generated a loss for the year.

	Consolidated	
	31 Dec 2023	30 Jun 2023
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	94,680,919	91,569,129
Weighted average number of ordinary shares used in calculating diluted earnings per share	94,680,919	91,569,129

ChemX Materials Limited
Directors' declaration
31 December 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr Stephen Strubel
Executive Director

13 March 2024

William Buck
ACCOUNTANTS & ADVISORS

For personal use only

Independent auditor's review report to the members of ChemX Materials Limited

Report on the half-year financial report

Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of ChemX Materials Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and

— complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

— the consolidated statement of financial position as at 31 December 2023,

— the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,

— the consolidated statement of changes in equity for the half-year then ended,

— the consolidated statement of cash flows for the half-year then ended,

— notes to the financial statements, including material accounting policy information, and

— the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

William Buck
ACCOUNTANTS & ADVISORS

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of $1,911,696 and net cash outflows from operating activities of $1,182,016 for the half-year ended 31 December 2023. As stated in Note 1, these events or conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Melbourne, 13 March 2024