



CHEMX

MATERIALS

ChemX Materials Limited

ABN 88 644 982 123

**Interim Report
31 December 2022**

ChemX Materials Limited
Corporate directory
31 December 2022

Directors	Warrick Hazeldine Alwyn Vorster Stephen Strubel Tara Berrie
Company secretary	Tamara Barr
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 Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Phone: 1300 850 505
Auditor	William Buck 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 2022

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 2022.

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 (appointed 18 October 2022)
Tara Berrie – Non-Executive Director (appointed 10 February 2023)
Kristie Young - Independent Non-Executive Chair (resigned 3 February 2023)
David Leavy - Managing Director (resigned 27 October 2022)

Principal activities

The principal activity is mining exploration and the development of its propriety High Purity Alumina ® HPA technology.

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 \$2,449,542 (31 December 2021: \$687,770).

On 7 July 2022, the Loyalty Options Offer closed oversubscribed. Under the Offer and as promised, eligible shareholders were able to purchase one option at \$0.005 for every four shares held. 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.

On 19 October 2022 the Company appointed Alwyn Vorster as Non-Executive Director.

On 27 October 2022 David Leavy resigned as Managing Director. David remains engaged with the Company as a strategic product consultant. Stephen Strubel was appointed Interim Managing Director while the Company conducted a recruitment process to secure a new CEO.

On 9 November 2022 the Company announced that its dedicated HPA production facility in Perth, Western Australia had been commissioned. The Company secured a 1200sqm warehouse facility with adjacent 1200sqm hardstand external space which is capable of housing both the HPA Micro Plant and HiPurA ® HPA Pilot plant to be constructed in CY2023.

As at 31 December 2022, ChemX held A\$4.18 million in cash and cash equivalents, putting it in a strong position to fund its planned activities for the remainder of FY23. This includes the construction of a HPA Pilot Plant in Perth, and continued exploration and associated test work at the Company's 100% owned projects on the Eyre Peninsula in South Australia.

Share-based payments

Total share-based payments for the period was \$710,487 for the following performance rights:

(a) On 18 November 2022 the Company granted a total of 4,500,000 performance rights to the three Non-Executive Directors outside of the Employee Incentive Securities Plan. The share-based payment expense for the half-year for these 4,500,000 performance rights is \$683,775 (Class E: \$0.1611 each and Class F: \$0.1428 each).

The vesting conditions for each director are:

- Class E: 750,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.40 for 20 consecutive days.
- Class F: 750,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.60 for 20 consecutive days.

ChemX Materials Limited
Directors' report
31 December 2022

(b) On 25 November 2022 the Company granted 200,000 performance rights to an employee under the Employee Incentive Securities Plan. This employee was not considered to be Key Management Personnel. The share-based payment expense for the half-year for these 200,000 performance rights is \$14,497 (Class G: \$0.073 each and Class H: \$0.135 each).

The vesting conditions are:

- Class G: 100,000 Performance Rights will vest on the announcement by the Company of the successful commissioning of the HiPurA HPA Pilot Plant.
- Class H: 100,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.50 for 10 consecutive days.

(c) Vesting of Performance Rights issued in prior periods was \$12,215.

Significant changes in the state of affairs

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

On 3 February 2023 Ms Kristie Young resigned as a Director. Ms Young's 1,500,000 performance rights lapsed following her resignation.

On 10 February 2023 The Company announced that Mark Tory had been appointed as Chief Executive Officer (CEO).

On 10 February 2023, the Company appointed Tara Berrie as a Non-Executive Director and granted 1,500,000 performance rights to her on the same terms as those granted to fellow Non-Executive Directors Warrick Hazeldine and Alwyn Vorster subject to shareholder approval .

No other matter or circumstance has arisen since 31 December 2022 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 comprise 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 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

8 March 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CHEMX MATERIALS LIMITED

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2022 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.



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



J. C. Luckins
Director
Melbourne, 8 March 2023

ChemX Materials Limited

Contents

31 December 2022

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	20
Independent auditor's review report to the members of ChemX Materials Limited	21

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

Danpalo Group Pty Ltd
Suite 1, 1 Tully Road
East Perth WA 6004

Principal place of business

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 10 March 2023.

ChemX Materials Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue			
Government grants		154,683	28,583
Interest income		8,987	-
Expenses			
Employee benefits expense	4	(1,255,289)	(357,755)
Corporate & Consulting		(680,164)	(90,299)
Due Diligence		-	(202,281)
Development Expenditure		(417,123)	-
Marketing & Promotion		(56,546)	(51,018)
Depreciation and amortisation expense	4	(110,758)	-
Other expenses		(78,970)	(15,000)
Finance costs		(14,362)	-
Loss before income tax expense		(2,449,542)	(687,770)
Income tax expense		-	-
Loss after income tax expense for the period		(2,449,542)	(687,770)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(2,449,542)	(687,770)
		Cents	Cents
Basic earnings per share	14	(2.68)	(2.68)
Diluted earnings per share	14	(2.68)	(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 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,175,217	5,750,668
Other receivables	5	259,875	418,215
Term deposits		68,807	20,000
Other assets		30,937	9,203
Total current assets		<u>4,534,836</u>	<u>6,198,086</u>
Non-current assets			
Property, plant and equipment	6	39,743	9,098
Right-of-use assets		593,454	-
Intangibles	7	1,170,000	1,235,534
Exploration and evaluation	8	3,239,050	2,987,865
Environmental bond		20,000	20,000
Total non-current assets		<u>5,062,247</u>	<u>4,252,497</u>
Total assets		<u>9,597,083</u>	<u>10,450,583</u>
Liabilities			
Current liabilities			
Trade and other payables	9	469,012	254,128
Lease liabilities		103,451	-
Employee benefits		34,502	31,215
Total current liabilities		<u>606,965</u>	<u>285,343</u>
Non-current liabilities			
Lease liabilities		502,557	-
Employee benefits		68	75
Total non-current liabilities		<u>502,625</u>	<u>75</u>
Total liabilities		<u>1,109,590</u>	<u>285,418</u>
Net assets		<u>8,487,493</u>	<u>10,165,165</u>
Equity			
Issued capital	10	11,130,414	10,669,031
Reserves		1,809,457	1,498,970
Accumulated losses		<u>(4,452,378)</u>	<u>(2,002,836)</u>
Total equity		<u>8,487,493</u>	<u>10,165,165</u>

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 2022

Consolidated	Issued capital \$	Share-based payments Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	1,836,360	-	(117,315)	1,719,045
Loss after income tax expense for the period	-	-	(687,770)	(687,770)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(687,770)	(687,770)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	8,195,050	-	-	8,195,050
Vesting of share-based payments (note 15)	160,000	331,784	-	491,784
Shares issued and to be issued in the future for intangible asset acquisition	400,000	900,000	-	1,300,000
Shares issued for acquisition of mineral exploration licenses	464,224	-	-	464,224
Shares issued on conversion of borrowings	1,002,000	-	-	1,002,000
Capital raising costs	(1,388,603)	-	-	(1,388,603)
Balance at 31 December 2021	<u>10,669,031</u>	<u>1,231,784</u>	<u>(805,085)</u>	<u>11,095,730</u>

Consolidated	Issued capital \$	Share-based payments 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)
<i>Transactions with owners in their capacity as owners:</i>				
Vesting of share-based payments (note 15)	-	710,487	-	710,487
Shares issued as deferred consideration for achievement of intangible asset performance milestone (note 10)	400,000	(400,000)	-	-
Loyalty options issued (note 10)	113,465	-	-	113,465
Capital raising costs (note 10)	(52,082)	-	-	(52,082)
Balance at 31 December 2022	<u>11,130,414</u>	<u>1,809,457</u>	<u>(4,452,378)</u>	<u>8,487,493</u>

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 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,614,511)	(251,731)
Interest received		8,987	-
Interest and other finance costs paid		(14,362)	-
Government grants received		342,435	28,583
		<u>(1,277,451)</u>	<u>(223,148)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment	6	(34,122)	-
Payments for exploration and evaluation		(247,260)	(94,461)
Payments for term deposits		(48,807)	-
		<u>(330,189)</u>	<u>(94,461)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		-	8,195,050
Proceeds from issue of options	10	113,465	-
Proceeds from borrowings		-	714,000
Share issue transaction costs	10	(52,082)	(496,098)
Repayment of lease liabilities		(29,194)	-
		<u>32,189</u>	<u>8,412,952</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		(1,575,451)	8,095,343
Cash and cash equivalents at the beginning of the financial period		5,750,668	35,551
		<u>4,175,217</u>	<u>8,130,894</u>
Cash and cash equivalents at the end of the financial period			

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022

The principal 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 2022, the Group incurred a net loss of \$2,449,542, had operating cash outflows of \$1,277,451, net current assets of \$3,927,871, net assets of \$8,487,493 and cash and cash equivalents balance of \$4,175,217 as at 31 December 2022. Further, additional funding is likely 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:

- the Group is not currently committed beyond its existing financial resources (refer to note 12 'Commitments'), and
- as an ASX listed entity the Group has ready access to financial markets.

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.

Leases

Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 1. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 2022 for \$154,683 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.

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

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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.

Contingent consideration for acquisitions

Contingent consideration is accounted for as part of the cost of the asset acquired for acquisitions whereby proof of concept is adequately documented and the contingencies have a high probability of realisation. Significant judgement is involved in the determination of proof of concept and assessing the probability of contingency realisation.

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.

Capital raising costs included in equity

Significant judgement was required to identify costs incurred to include in equity on the basis of being directly attributable to capital raisings.

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.

The principal accounting policies adopted in the preparation of the financial statements are consistent with policies in the annual report for the period ended 30 June 2022.

ChemX Materials Limited
Notes to the financial statements
31 December 2022

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. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Motor vehicles	990	-
Buildings right-of-use assets	41,747	-
Computer equipment	2,487	-
Total depreciation	<u>45,224</u>	<u>-</u>
<i>Amortisation</i>		
Intellectual property (High Purity Alumina processing technology)	<u>65,534</u>	<u>-</u>
Total depreciation and amortisation	<u>110,758</u>	<u>-</u>
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	51,325	17,308
Vesting of share-based payments - Director options (refer note 15 'Share-based payments')	-	166,892
Vesting of share-based payments - Non-KMP performance rights (refer note 15 'Share-based payments')	14,497	-
Vesting of share-based payments - KMP performance rights (refer note 15 'Share-based payments')	695,990	-
Employee benefits expense - other (salaries, wages and non-superannuation related on costs)	<u>493,477</u>	<u>173,555</u>
Total employee benefits expense	<u>1,255,289</u>	<u>357,755</u>

Note 5. Current assets - Other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade receivables	3,613	-
Refundable R&D tax offset receivable	154,683	342,435
BAS receivable	<u>101,579</u>	<u>75,780</u>
	<u>259,875</u>	<u>418,215</u>

ChemX Materials Limited
Notes to the financial statements
31 December 2022

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Motor vehicles - at cost	20,078	-
Less: Accumulated depreciation	(990)	-
	<u>19,088</u>	<u>-</u>
Computer Equipment	23,719	9,675
Less: Accumulated depreciation	(3,064)	(577)
	<u>20,655</u>	<u>9,098</u>
	<u><u>39,743</u></u>	<u><u>9,098</u></u>

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Intellectual Property - at cost*	1,300,000	1,300,000
Less: Accumulated amortisation	(130,000)	(64,466)
	<u>1,170,000</u>	<u>1,235,534</u>

* High Purity Alumina processing technology.

Note 8. Non-current assets - exploration and evaluation

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Exploration and evaluation	<u>3,239,050</u>	<u>2,987,865</u>

	Consolidated
	31 Dec 2022
	\$
<i>Exploration and evaluation at end of the current period comprises:</i>	
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	496,995
Balance as at 30 June 2022	<u>2,987,865</u>
- Exploration and evaluation expenditure	<u>251,185</u>
Balance as at 31 December 2022	<u><u>3,239,050</u></u>

ChemX Materials Limited
Notes to the financial statements
31 December 2022

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade payables	284,216	100,999
Accrued expenses and other payables	184,796	153,129
	<u>469,012</u>	<u>254,128</u>

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	92,771,744	90,771,744	11,016,949	10,669,031
Listed loyalty options ¹	-	-	113,465	-
	<u>92,771,744</u>	<u>90,771,744</u>	<u>11,130,414</u>	<u>10,669,031</u>

(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 2022	90,771,744		10,669,031
				-
<u>Share-based payments</u>				
Shares issued for achievement of intangible asset performance milestone ⁽¹⁾	1 September 2022	2,000,000	\$0.200	400,000
Capital raising costs		-		(52,082)
Balance	31 December 2022	<u>92,771,744</u>		<u>11,016,949</u>

(1) Consideration shares issued to the Vendors pursuant to the HiPurA Share Sale Agreement where the Completion of Flow Sheet Design milestone had been met.

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 10. Equity - 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 11. 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 8 '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 corporate credit card bank guarantee facility and in the same amount.

Note 12. Commitments

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Minimum exploration expenditure commitments		
Within one year	140,000	205,000
One to five years	560,000	560,000
More than five years	140,000	140,000
	<u>840,000</u>	<u>905,000</u>

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.

During the previous 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.

As at 31 December 2022, the Group has contributed \$177,500 towards the \$500,000 commitment.

ChemX Materials Limited
Notes to the financial statements
31 December 2022

Note 13. Events after the reporting period

On 3 February 2023 Ms Kristie Young resigned as a Director. Ms Young's 1,500,000 performance rights lapsed following her resignation.

On 10 February 2023 The Company announced that Mark Tory had been appointed as Chief Executive Officer (CEO).

On 10 February 2023, the Company appointed Tara Berrie as a Non-Executive Director and granted 1,500,000 performance rights to her on the same terms as those granted to fellow Non-Executive Directors Warrick Hazeldine and Alwyn Vorster subject to shareholder approval .

No other matter or circumstance has arisen since 31 December 2022 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 14. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Loss after income tax	<u>(2,449,542)</u>	<u>(687,770)</u>
	Cents	Cents
Basic earnings per share	(2.68)	(2.68)
Diluted earnings per share	(2.68)	(2.68)

The performance rights and options on issue have not been included in the weighted average number of shares used for calculating the diluted loss per share as they do not meet the requirements for inclusion under AASB 113 'Earnings per share

	Consolidated	
	31 Dec 2022	30 Jun 2022
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>91,569,129</u>	<u>25,662,169</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>91,569,129</u>	<u>25,662,169</u>

ChemX Materials Limited
Notes to the financial statements
31 December 2022

Note 15. Share-based payments

Reconciliation of share based payments

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Included in equity as capital raising costs</i>		
Shares issued to lead manager of prospectus offer	-	160,000
Options granted to lead manager of prospectus offer	-	164,892
Total	<u>-</u>	<u>324,892</u>
<i>Statement of profit or loss and other comprehensive income</i>		
Options granted to directors under the Employee Securities Incentive Plan*	-	166,892
Performance rights granted to non-KMP under the Employee Securities Incentive Plan*(b)	14,497	-
Performance rights granted to KMP under the Employee Securities Incentive Plan*(b)	695,990	-
Total	<u>710,487</u>	<u>166,892</u>
<i>Other</i>		
Shares issued to acquire HiPurA Pty Ltd	400,000	400,000
Shares issued to acquire tenements (refer note 8 'Exploration and evaluation')	-	464,224
Shares (issued) / to be issued as deferred consideration to acquire HiPurA Pty Ltd	<u>(400,000)</u>	<u>900,000</u>
Total	<u>-</u>	<u>1,764,224</u>
	<u>710,487</u>	<u>2,256,008</u>

* Shareholders have approved an Employee Securities Incentive Plan (Incentive Plan) whereby the Group may, at the discretion of the Board, grant securities including options and performance rights over ordinary shares in the Company to certain key management personnel of the Group. The securities are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

(a) Options

As promised under the Initial Public Offer capital raise, eligible shareholders were able to purchase one Loyalty Option at \$0.005 for every four shares held. 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.

Details of unexpired option grants are set out below:

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
01/11/2021	01/11/2024	\$0.300	2,000,000	-	-	-	2,000,000
18/01/2022	18/01/2024	\$0.300	2,000,000	-	-	-	2,000,000
30/05/2022	11/07/2025	\$0.400	750,000	-	-	-	750,000
30/05/2022	11/07/2025	\$0.400	750,000	-	-	-	750,000
11/07/2022	11/07/2025	\$0.300	-	22,693,038	-	-	22,693,038
			<u>5,500,000</u>	<u>22,693,038</u>	-	-	<u>28,193,038</u>
Weighted average exercise price			\$0.327	\$0.300	\$0.000	\$0.000	\$0.305
Options exercisable			4,750,000	22,693,038	-	-	27,443,038

Note 15. Share-based payments (continued)

(b) Performance rights

On 18 November 2022 the Company granted 1,500,000 performance rights to each of the three Non-Executive Directors (Kristie Young, Warrick Hazeldine and Alwyn Vorster) under the Incentive Plan. The fair value of these 4,500,000 performance rights is \$683,775 (Class E: \$0.1611 each and Class F: \$0.1428 each).

For each Non-executive Director, the vesting conditions are as follows:

- Class E: 750,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.40 for 20 consecutive days.
- Class F: 750,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.60 for 20 consecutive days.

On 25 November 2022 the Company granted 200,000 performance rights to an employee, who was not key management personnel, under the Incentive Plan. The fair value of these 200,000 performance rights is \$30,447 (Class G: \$0.1700 each and Class H: \$0.1345 each).

Vesting conditions are as follows:

- Class G: 100,000 Performance Rights will vest on the announcement by the Company of the successful commissioning of the HiPurA HPA Pilot Plant.
- Class H: 100,000 Performance Rights will vest on the day the share price of the Company (ASX:CMX) trades on ASX at a volume weighted average price (VWAP) at or above \$0.50 for 10 consecutive days.

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
20/05/2022	20/05/2025	\$0.000	1,000,000	-	-	-	1,000,000
18/11/2022	18/11/2025	\$0.000	-	4,500,000	-	-	4,500,000
25/11/2022	25/11/2025	\$0.000	-	200,000	-	-	200,000
			<u>1,000,000</u>	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>5,700,000</u>

For the performance rights granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Class	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk free interest rate%	Fair value at grant date
E	18/11/2022	18/11/2025	\$0.190	\$0.000	100.00%	-	3.16%	\$0.1611
F	18/11/2022	18/11/2025	\$0.190	\$0.000	100.00%	-	3.16%	\$0.1428
G	25/11/2022	25/11/2025	\$0.155	\$0.000	100.00%	-	3.19%	\$0.1700
H	25/11/2022	25/11/2025	\$0.155	\$0.000	100.00%	-	3.19%	\$0.1345

ChemX Materials Limited
Directors' declaration
31 December 2022

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 2022 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

8 March 2023

ChemX Materials Limited Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of ChemX Materials Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ChemX Materials Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

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 \$2,449,542 and net cash outflows from operating activities of \$1,277,451 for the half-year ended 31 December 2022. As stated in Note 1, these events or conditions along with other matters as set for 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.

Responsibility of Management 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 2022 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 Audit (Vic) Pty Ltd
ABN 59 116 151 136



J. C. Luckins
Director
Melbourne, 8 March 2023