

ASX ANNOUNCEMENT

4 August 2023

ChemX Secures strategic funding facility from US Institutional Shareholder and appoints new CEO

- Funding facility of up to A\$6m via Convertible Notes received from existing Institutional Shareholder, Mercer Street Global Opportunity Fund, LLC, a US-based investment fund managed by Mercer Street Capital Partners, LLC, with \$500k to be drawn initially and a potential further \$1.7m to be provided following shareholder approval
- Funding to maintain momentum and advance the Eyre Peninsula High Purity Manganese Project (HPM) in South Australia and HiPurA HPA Project in Perth, Western Australia
- Chief Operating Officer Peter Lee Appointed Chief Executive Officer (CEO) following the resignation of Mark Tory

ChemX Materials (ASX:CMX) (ChemX or the Company), an Australian based high-purity critical materials business, is pleased to announce a funding facility from an existing US-based Institutional Shareholder, to maintain momentum of existing high-purity projects in Western Australia and on the Eyre Peninsula in South Australia.

The up to \$6m financing package was agreed via the issue of unsecured convertible notes (**Convertible Notes**) to ChemX's existing US Institutional Shareholder, Mercer Street Global Opportunity Fund, LLC, a US-based investment fund managed by Mercer Street Capital Partners, LLC (together, the **Investor**), who has been a strong supporter of the Company since the IPO in January 2022.

Amvest Capital Inc (acting through Delphos MMJ LP) (**Amvest**) served as financial advisor to the transaction with Steinepreis Paganin acting as the legal advisor.

Proposed investment

The Company has agreed to:

- initially receive \$500,000 for the issue of 600,000 Convertible Notes under the facility (**Tranche 1**);
- subject to shareholder approval at a forthcoming General Meeting and agreement between the parties, issue a further 2,040,000 Convertible Notes for a subscription sum of \$1,700,000 (**Tranche 2**); and
- subject to shareholder approval and agreement between the parties, issue the Investor up to a further 4,560,000 Convertible Notes for a subscription sum of up to \$3,800,000 (**Further Tranches**).

The full terms and conditions of the Convertible Notes are set out in Schedule 1.

The Company has obtained legal advice from a suitably qualified and experienced lawyer that none of the features noted in section 5.9 of Guidance Note 21 are present and that the terms of the Convertible Notes appear to be market-standard, based on the reasons set out below:

- the agreement contains a floor price for the conversion of the Convertible Notes; and
- there are other convertible notes on similar terms in the marketplace.

Conditions

The closing of each tranche of the investment is subject to the satisfaction of conditions precedent including, but not limited to, the following:

- in relation to Tranche 2 and the Further Tranches, the Company obtaining shareholder approval to issue the relevant Convertible Notes and agreement between the parties as to the provision of funding;
- the Company being able to issue a cleansing statement or lodge a prospectus for the Convertible Notes (if relevant), so that the underlying securities are freely tradable on conversion of the Convertible Notes;
- the Company providing the Investors with deliverables that are considered standard for this type of transaction;
- the Investor's voting power in the Company at no time exceeding 9.99% without the prior written consent of the Investor; and
- the Company's shares remaining continuously quoted on the ASX without suspension for more than 5 trading days in the 12 month period prior to a closing.

Other security issues

In addition to the Convertible Notes, the Company has agreed to issue the Investor:

- in relation to Tranche 1:
 - 2,415,766 fully paid ordinary shares (**Shares**) upon the issue of the Convertible Notes the subject of Tranche 1 for nil cash consideration (**First Commencement Shares**);
 - 155,633 Shares (**Second Commencement Shares**) following the Company's shareholders approving the issue of the Second Commencement Shares, or should the Company fail to obtain such an approval, the Company must instead pay the Investor \$10,894.31; and
 - 2,272,727 options for Shares (**Options**) (**First Options**). The First Options will have an exercise price equal to \$0.11 (being 140% of the 20-day VWAP and will expire on the date that is three years following the date of issue). The First Options will be issued following the Company's shareholders approving the issue of the First Options, or should the Company fail to obtain such an approval, the Company must instead pay the Investor \$175,000;

- in relation to Tranche 2, and subject to Tranche 2 being funded, such number of Options which is equal to \$850,000 divided by 140% of the 20-day VWAP prior to the date of issue of the Convertible Notes the subject of Tranche 2, with an exercise price equal to 140% of the 20-day VWAP prior to the date of issue; and
- in relation to the Further Tranches, and subject to the relevant Further Tranche being funded, up to such number of Options which is equal to 50% of the investment amount of the relevant Further Tranche (up to a maximum of \$1,900,000) divided by 140% of the 20-day VWAP prior to the date of issue of Convertible Notes the subject of the Further Tranches with an exercise price equal to 140% of the 20-day VWAP prior to the date of issue.

If the facility under the agreement is fully drawn down and all the required conditions to the drawdowns are met, the following securities will be issued to Mercer.

Convertible Notes

As stated above, further draw downs on the Convertible Note facility after Tranche 1 is subject to agreement between the parties, so there is no obligation on the Company or the Investor to make further drawdowns. The below table sets out the maximum amount of Convertible Notes that can be issued under the facility, as well as the maximum amount of Shares that can be issued on conversion of the Convertible Notes.

	Subscription \$	# Convertible Notes	# Shares issued on conversion*
Tranche 1	500,000	600,000	10,000,000
Tranche 2	1,700,000	2,040,000	34,000,000
Further Tranche	3,800,000	4,560,000	76,000,000
Total	6,000,000	7,200,000	120,000,000

For the purposes of the above table, it is assumed that each Convertible Note will convert into Shares at the floor price (being \$0.06). Therefore, the above table displays the maximum number of Shares that can be issued on conversion of the Convertible Notes.

Shares

The following Shares are issuable in connection with Tranche 1.

	# Shares	\$ value (@ 7 cents)
First Commencement Shares	2,415,766	\$169,103.62
Second Commencement Shares	155,663	\$10,896.38
Total	2,571,399	\$180,000

Options

The number of Options to be issued under each tranche of the Convertible Note facility is equal to 50% of the amount that the Investor advances the Company for the relevant Tranche, divided by a 140% premium to the 20 day VWAP of the Shares immediately prior to a closing. Three worked examples of this calculation are set out below. Please note that “Tranche 3” of the Convertible Note subscription can be drawn down in parts and is subject to the mutual agreement of the parties. “Tranche 2” is also subject to shareholder approval and the mutual agreement of the parties.

	50% of the funds advanced under the Tranche	# of Options issued at \$0.06 VWAP (i.e. \$0.084 deemed Share issue price)	# of Options issued at \$0.08 VWAP (i.e. \$0.112 deemed Share issue price)	# of Options issued at \$0.10 VWAP (i.e. \$0.14 deemed Share issue price)
Tranche 1	\$250,000	2,976,190	2,232,143	1,785,714
Tranche 2	\$850,000	10,119,048	7,589,286	6,071,429
Tranche 3	\$1,900,000	22,619,048	16,964,286	13,571,429
Total		35,714,286	26,785,714	21,428,571

Purpose of the financing

This financing forms part of the Company’s strategy to secure key investment capital from leading US Institutions focusing on decarbonisation technologies and critical minerals to advance ChemX’s projects in high-purity materials, which are essential for the global energy transition.

The Company has entered into this financing to secure sufficient capital to meet its business objectives. In the present market environment, the securities in question (being the Convertible Notes) were determined to be in the best interests of the Company and shareholders as a whole. The securities in question will be issued to an existing shareholder that has remained supportive of the Company since its IPO as a long-term investor.

The Company’s Board of Directors considered other forms of capital raising (including a placement, rights issue and SPP), and determined that the terms of the Convertible Notes are more favourable to the Company because:

- the deemed conversion price of the subsequent tranches of the Convertible Notes is linked to the market price of the Shares which therefore may result in less dilution if the Share price increases from the current price as the business grows;
- the facility can be drawn down over a 12 month period;
- the Company has the option to redeem the Convertible Notes prior to their maturity, providing greater flexibility;

- the proposed facility allows the Company to have access to the funds more quickly than a rights issue or an SPP, making these securities more favourable; and
- the terms of the investment provide the Company with longer-term funding for the development of its projects.

As mentioned above, the Convertible Notes are being issued to an existing institutional shareholder that has supported the Company since its IPO in January 2022.

Fees

For facilitating the investment, Amvest will be paid 6% of the aggregate proceeds raised from the Investor for the subscription of the Convertible Notes.

Appointment of CEO

In addition, the Company is pleased to announce the appointment of Mr Peter Lee as CEO who has been serving as ChemX Materials' Chief Operating Officer since May 2022. Mr Lee brings a wealth of technical experience and operational leadership, across numerous commodities including: Alumina, Iron Ore, Copper and Electrochemical processes. As a Chemical Engineer (P.Eng, MBA, MAICD), Mr Lee has worked in senior leadership roles with market leaders including BHP (Olympic Dam), Roy Hill and was most recently Executive Process and Mechanical Engineering with WSPGolder.

Peter has delivered Scoping Studies, Pre-Feasibility, and Feasibility studies for Mining, Metals enterprises including Process Design, Due Diligence and Optimisation Studies. Mr Lee's experience will be pivotal as the Company advances its high-purity alumina (HPA) and high-purity manganese (HPM) projects.

The Board thanks Mr Mark Tory for his contribution and accepts his resignation as CEO due to personal reasons, effective immediately.

Update on HPM work streams

ChemX has been advancing its HPM project through metallurgical testwork and flow sheet development to produce 4N (99.99%) HPM alongside an aggressive exploration campaign on the Eyre Peninsula during 2023. The Company is eagerly awaiting its maiden mineral resource estimate, following which the Company intends to begin development studies to advance the project. The Eyre Peninsula HPM project is strategically located close to Whyalla South Australia, a major industrial and mining hub, with an endowment of renewable energy, a resident skilled workforce and necessary chemical reagents to develop the Company's HPM proposed metallurgical refinery.

The Company has already secured HPM qualification MoU's with C4V, a New York-based Battery Technology firm dedicated to supplying the essential technology and materials to develop giga factories globally and also Pure Battery Technology (PBT) to enter manganese qualification to supply their planned pCAM hub in Kalgoorlie, Western Australia. HPM is becoming an increasingly important essential

ingredient in lithium battery cathode chemistries, offering increased energy density, stability and lower costs to help drive mass market adoption.

Update on HiPurA® HPA work streams

The Company is continuing to advance its proprietary HiPurA® high-purity alumina (HPA) project, with the recent approval of a resized Pilot Plant following flow sheet improvement and optimisation undertaken during operation of the HPA Micro Plant. ChemX's HPA process differs significantly from incumbent and aluminous clay-based processes. Using a chemical feedstock, the process is independent of mine production, significantly reducing development timeframes as well as being modular and scalable. ChemX believes it will be able to co-locate production facilities with battery separator manufacturers or synthetic sapphire producers. Following construction, the 24tpa pilot plant will be run in campaign mode to produce the required volumes for product qualification.

During FY22, the Company successfully completed a HPA Prefeasibility study with industry leading multidisciplinary engineering group and division of NRW Holdings Group (ASX:NWH), Primero Group, which confirmed mass and energy balances and provided valuable data for key inputs and reagents usage. Post pilot plant operation, the Company intends to move towards feasibility studies, for a commercial scale operation. Production plants that are modular and scalable allow for customers to receive product that is directly suited to their specifications.

The Company intends to utilise its available placement capacity under ASX Listing Rule 7.1 for the issue of the Tranche 1 Convertible Notes and the First Commencement Shares. A summary of key terms is appended to this Announcement as Schedule 1.

The material terms of Peter Lee's Executive Services Agreement are appended to this Announcement as Schedule 2.

This Announcement has been authorised for release by the Board.

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About ChemX Materials (ASX: CMX)

ChemX is a materials technology company focused on providing critical materials required for electrification and decarbonisation. The Company’s vision is to support the energy transition with materials and technology that provide real solutions to lowering carbon emissions. The Company is developing a High Purity Manganese (HPM) Project on the Eyre Peninsula in South Australia along with its High Purity Alumina Project in Perth, Western Australia.

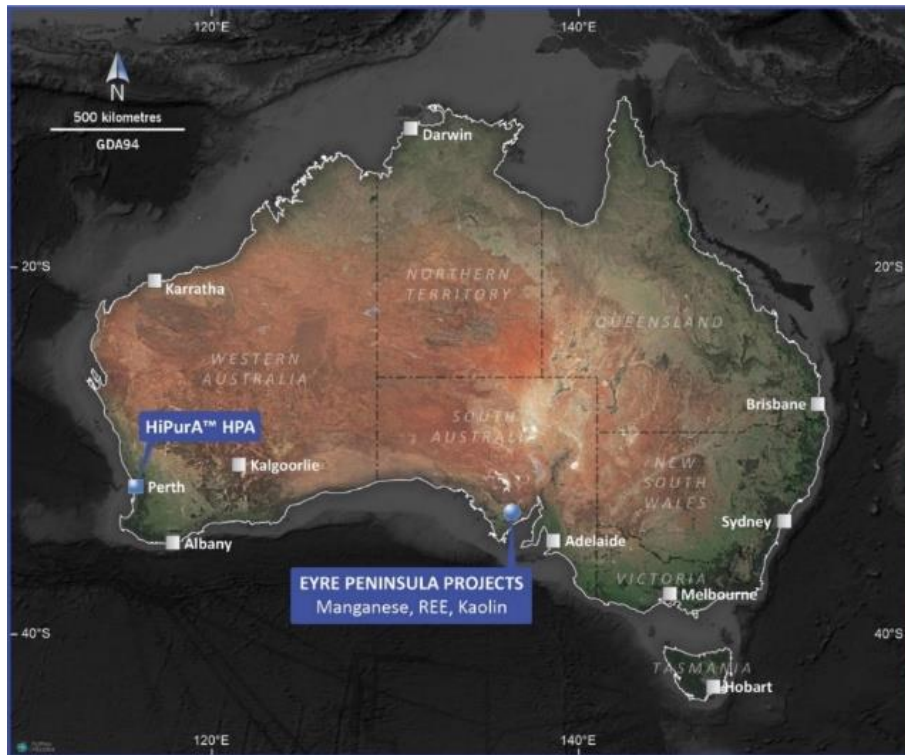


Figure 2 – ChemX Project Locations

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Schedule 1

Material terms of the Convertible Note Agreement and Convertible Notes

Number of Convertible Notes	600,000 Convertible Notes under the Tranche 1 (Tranche 1 Notes). 2,040,000 Convertible Notes under the Tranche 2 (Tranche 2 Notes). Up to 4,560,000 Convertible Notes under the Further Tranches (Tranche 3 Notes).
Effective Subscription Price	\$0.833 per Convertible Note.
Face Value	\$1.00 per Convertible Note.
Maturity Date	15 months from the date of issue of the Tranche 1 and Tranche 2 Notes. 12 months from the date of issue of the Tranche 3 Notes.
Interest Rate	Upon an event of default occurring, the Company must pay default interest at a rate of 18% per annum on the amount of the face value of all Convertible Notes issued which have not been converted or repurchased, calculated daily and compounded monthly.
Conversion	<p>The Investor may (at its absolute discretion) convert the Convertible Notes (in a minimum parcel with a face value of at least \$25,000) at any time prior to its applicable maturity date by giving the Company a conversion notice. The conversion will occur within three business days of receipt of the notice.</p> <p>The number of Shares to which the Investor is entitled upon conversion of the relevant Convertible Notes is determined by the following formula: Number of Shares = FV / CP Where:</p> <p>FV means the aggregate face value of the Convertible Notes being converted.</p> <p>CP means the applicable conversion price per Convertible Note. The applicable conversion price is set out below.</p> <p>Upon conversion of the Convertible Notes:</p> <ul style="list-style-type: none"> (a) those Convertible Notes are cancelled and may not be reissued; and (b) the face value of the Convertible Notes which have been converted will be deemed satisfied.
Conversion by the Company	The Company has no right to require the Investor to convert any Convertible Notes at any time.
Conversion Price	<p>In respect of the Tranche 1 and Tranche 2 Notes, the conversion price will be the higher of:</p> <ul style="list-style-type: none"> (a) the Floor Price (\$0.06); and (b) the lesser of: <ul style="list-style-type: none"> (i) 100% of the daily volume weighted average price (VWAP) of the Shares over the 10 trading days on which the Shares traded prior to the completion of the issue of the Tranche 1 Notes or Tranche 2 Notes (as the case may be); and (ii) 90% of the lowest VWAP during the preceding twenty (20) trading days on which Shares were traded on the ASX immediately prior to the relevant conversion notice. <p>In respect of the Tranche 3 Notes, the higher of:</p> <ul style="list-style-type: none"> (a) the Floor Price (\$0.06); and (b) the lesser of: <ul style="list-style-type: none"> (i) \$0.10; and (ii) 92% of the lowest VWAP of the Shares during the preceding ten (10) Trading Days on which Shares were traded on the ASX immediately prior to the relevant Conversion Notice.

Repurchase	<p>Provided that the Company is:</p> <ul style="list-style-type: none"> (a) in compliance with its obligations under the Convertible Note Agreement; (b) there is no existing event of default; and (c) the Investor has not issued a conversion notice, <p>the Company may (by written notice to the Investor) elect to repurchase all of the outstanding Convertible Notes on issue at any time, for a 5% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.</p> <p>Where the Investor receives a written notice from the Company with respect to the repurchase of Convertible Notes, the Investor may elect to convert up to 100% of the Convertible Notes the subject of such notice.</p>
Redemption	<p>If the Investor has not notified the Company in writing by the day that is 10 business days prior to the Maturity Date that it will be converting the relevant Convertible Notes (in whole or in part), the Company is to repay in full to the holder of the Convertible Notes, the face value of the Convertible Notes (and any accrued but unpaid interest).</p> <p>If an event of default occurs which is subsisting for 10 business days, the Company must repay the face value of the outstanding Convertible Notes held by the Investor together with any accrued by unpaid interest. The Convertible Securities Agreement contains various events which constitute events of default which are standard for agreements of this nature.</p> <p>If there occurs a Change of Control Event, a Qualifying Capital Raising Event or a Delisting Event, the Investor may require repayment by the Company of some or all of the Convertible Notes.</p> <p>In this Schedule:</p> <p>Change of Control Event means each of:</p> <ul style="list-style-type: none"> (a) a takeover bid being made to acquire all of the Shares and: <ul style="list-style-type: none"> (i) the offer under the takeover bid is, or becomes, unconditional; and (ii) either: <ul style="list-style-type: none"> (A) the bidder has acquired at any time during the offer period (or after the close of the offer period) a relevant interest in more than 50 per cent of the Shares on issue; or (B) the directors of the Company recommend acceptance of the offer under the takeover bid; (b) a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in 100% of the Shares on issue in the Company (where the requisite shareholder approval has also been obtained). <p>Delisting Event means where the Shares are no longer quoted on ASX or the Company's Shares are suspended from trading on ASX for a period of 20 consecutive business days, or in any case, other than as a result (directly or indirectly) of a Change of Control Event.</p> <p>Qualifying Capital Raising Event means capital raises under which the Company raises in aggregate \$5m or more during the term of the agreement.</p>
Ranking on Conversion	<p>Shares issued on conversion of the Convertible Notes will rank equally with existing Shares on issue.</p>
Reconstruction of Capital	<p>In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the Convertible Notes will be reconstructed to the extent necessary to comply with the ASX Listing Rules.</p>
Participation Rights	<p>The Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Convertible Notes into Shares.</p>
No Voting Rights	<p>Except as required by the <i>Corporations Act 2001 (Cth)</i>, the Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Notes into Shares.</p>

Schedule 2 - Materials Terms of Executive Services Agreement

The material terms and conditions of Peter Lee's Executive Services Agreement with the Company (**ESA**) are set as follows:

Position	Chief Executive Officer (CEO)
Term	Effective from 2 August 2023 (or such other date as may be agreed). The term of his employment will continue until terminated in accordance with the ESA.
Remuneration	Fixed annual remuneration: Base fee of \$300,000 per annum excluding superannuation.
Bonus Entitlement	<p><u>Potential STIP Amount</u></p> <p>Up to 50% of Base Salary in cash (or equivalent value of securities in the Employer) subject to achievement of key performance indicators / milestones determined by the Board.</p> <p>The targets forming the basis of the STIP will be approved annually by the Board.</p> <p><u>Potential LTIP Amount</u></p> <p>Performance Rights with a three year vesting period, granted on an annual basis in July to the value of up to 50% of Base Salary, subject to the terms of a separate written offer letter from the Employer including vesting milestones determined by the Board.</p>
Sign on Incentive	Subject to not breaching existing Company financial covenants, a one-off grant of 1,000,000 Options exercisable after 12-months from Commencement Date at an exercise price which is the higher of 20c or 250% of the 30-day VWAP on the Commencement Date.
Termination	<p><u>Termination by notice</u></p> <p>Either party may terminate the ESA by 3 months' notice in writing.</p> <p><u>Summary termination without notice</u></p> <p>Customary summary termination events apply in favour of the Company in the event of misconduct or breach by the CEO.</p> <p><u>Severance payment on a change of control of the Company</u></p> <p>A payment in lieu of notice of 3 months Base Salary, subject to the requirements within the ESA.</p> <p><u>Corporations Act limitation</u></p> <p>The Company will not be required to pay to Peter Lee any benefits in connection with his termination which would exceed an amount permitted by the relevant provisions of Part 2D.2 of the <i>Corporations Act 2001</i> (Cth).</p>