

Appendix 4D

WA Kaolin Limited

ABN 56 083 187 017

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Results for announcement to the market

Extracts of the WA Kaolin Limited results for the half year ended 31 December 2022

Revenues from continuing activities	Up	59.6%	to	\$902,755
Loss from ordinary activities after tax attributable to members	Down	39.0%	to	\$2,477,156
Comprehensive loss for the period attributable to members	Down	39.0%	to	\$2,477,156
Dividends	Amount per share	Franked amount per share		
Interim dividend	Nil	Nil		
Final dividend	Nil	Nil		
Record date for determining entitlements to the dividend	<div style="border: 1px solid black; display: inline-block; padding: 2px 10px;">N/A</div>			
Other information				
Net asset backing per ordinary share	\$0.02 per share (2021: (\$0.003) per share)			
Net tangible asset backing per ordinary share	\$0.02 per share (2021: (\$0.003) per share)			
<p>Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2022 half-year financial statements.</p>				



WA Kaolin Limited

ABN 56 083 187 017

Interim Financial Report

31 December 2022

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CORPORATE INFORMATION

ABN 56 083 187 017

Directors

Dr John White (Non-Executive Chairman)

Mr Alfred Baker (Executive Director)

Ms Cathy Moises (Non-Executive Director)

Mr Patrick Walta (Non-Executive Director) (appointed 1 October 2022)

Mr Cameron Baker (Alternate)

Chief Executive Officer

Mr Andrew Sorensen

Company secretary

Mr Michael Kenyon

Registered office

Lot 3 Ward Road

EAST ROCKINGHAM WA 6168

Telephone: +61 8 9439 6300

Principal place of business

Lot 3 Ward Road

EAST ROCKINGHAM WA 6168

Telephone: +61 8 9439 6300

Website: www.wakaolin.com.au

Share registry

Automatic Share Registry

126 Phillip Street

SYDNEY NSW 2000

Telephone: 1300 288 664

Solicitors

EMK Lawyers

Suite 1, 519 Stirling Highway

COTTESLOE WA 6012

Bankers

Westpac Banking Corporation

108 St George's Terrace

PERTH WA 6000

Auditors

BDO Audit (WA) Pty Ltd

Level 9

Mia Yellagonga Tower 2

5 Spring Street

Perth WA 6000

DIRECTORS' REPORT

The directors of WA Kaolin Limited (the "Company") submit the financial report for the half year ended 31 December 2022. In order to comply with the provisions of *the Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office throughout the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Dr John White
Mr Alfred Baker
Ms Cathy Moises
Mr Patrick Walta (appointed 1 October 2022)
Mr Linton Putland (resigned 19 September 2022)
Mr Rodney Baxter (resigned 19 September 2022)
Mr Cameron Baker (Alternate)

Principal Activities

The principal activities of the Company were the development of its mineral resources of high-grade premium kaolinised granite, construction of a new proprietary production facility in Wickepin, Western Australia and value-adding processes.

Financial Results and Review of Operations

Financial Results

The Company recorded a net loss after tax for the half year of \$2,477,156 (31 December 2021: \$4,057,802), of which \$168,000 was for a share-based payments expense (31 December 2021: \$1,100,000), \$958,253 for interest on borrowings (31 December 2021: \$1,412,007).

Financial Position

At 31 December 2022, the Company had cash reserves of \$5,543,391 (30 June 2022: \$6,364,612).

The net asset position of the Company increased to \$8,781,453 as at 31 December 2022 (30 June 2022: \$5,465,120), largely as a result of a recent capital raising event completed in December 2022.

Review of Operations

Health, Safety and Environment

The Company is pleased to report that there were no significant health, safety or environmental incidents during the half year.

Operations

The Company is sole owner of a mining lease, a general-purpose lease, a miscellaneous licence and retention licences which comprise the Wickepin Kaolin Project (Project). The Project, which is one of the largest known remaining kaolin resources in the world, contains an Ore Reserve of 30.5 million tonnes which is included in the Mineral Resource (reported in accordance with JORC 2012) of 644.5 million tonnes of high-grade premium kaolinised granite.

The Company conducts mining operations at its mining tenement in East Wickepin, Western Australia and has developed a production plant to produce refined kaolin adjacent to the its mining operations. The company also has a research and development centre located at a Company-owned facility in East Rockingham, Western Australia. At the R&D centre, the company operates a small-scale pilot production plant producing beneficiated kaolin. The Company then sells the kaolin produced at both locations through a network of distributors both in Australia and overseas.

During the half-year, the Company got its Stage 1 operations under way at its Wickepin plant, with kaolin products produced in September 2022. Operational start-up was completed to budget despite a challenging environment including COVID-19, supply chain and labour shortages. Accelerated early investment has been made into portions of Stage 2 production ramp up due to customer demand.

The Company is primarily focused on establishing itself as the preferred supplier of high-grade premium kaolin products globally through:

- continued production ramp-up of its processing plant in East Wickepin, utilising the K99 Process;
- progressive increase in production to circa 200,000 tonnes per annum through the plant;
- expansion of production capacity at the Wickepin plant to 400,000 tonnes per annum through the installation of a second stage of production equipment;

DIRECTORS' REPORT (continued)

- negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties; and
- investment in further processing expansion including the construction of an additional wet processing plant to produce product suitable for use in premium paper and packaging markets and/or an expansion program for the construction of an additional processing plant to significantly increase production capacity utilising the K99 Process.

Significant events after reporting date

There are no other matters or circumstances that have arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of *the Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2022.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001



Dr John White, Chairman

Melbourne, Victoria

Dated this 14th day of March 2023

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF WA KAOLIN LIMITED

As lead auditor for the review of WA Kaolin Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of WA Kaolin Limited.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth
14 March 2023

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Notes	31 December 2022 \$	31 December 2021 \$
Continuing operations			
Revenue	2a	902,755	565,804
Other income	2b	18,628	29,711
Cost of sales		(412,254)	(403,801)
Rental expenses and outgoings	2c	(32,999)	(127,549)
Employee benefits expense	2c	(661,634)	(786,831)
Depreciation and amortisation	2c	(201,659)	(136,053)
Other expenses	2c	(971,047)	(695,353)
Share-based payments	2c	(168,000)	(1,100,000)
Results from operating activities		(1,526,210)	(2,654,072)
Finance income		7,307	8,277
Finance costs	2c	(958,253)	(1,412,007)
Net finance costs		(950,946)	(1,403,730)
Loss before income tax		(2,477,156)	(4,057,802)
Income tax (expense)/benefit		-	-
Loss after income tax from continuing operations		(2,477,156)	(4,057,802)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or losses (net of tax)</i>			
Other comprehensive loss for the period, net of income tax		-	-
Total comprehensive (loss)/profit		(2,477,156)	(4,057,802)
(Loss)/Profit per share for the period attributable to the members of the Company			
Basic (loss)/profit per share (cents per share)		\$(0.007)	\$(0.014)
Diluted (loss)/profit per share (cents per share)		\$(0.007)	\$(0.014)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	3	5,543,391	6,364,612
Trade and other receivables	4	804,767	817,338
Inventory	6	1,699,798	432,731
Total current assets		8,047,956	7,614,681
Non-current assets			
Property, plant and equipment	5	5,407,271	4,960,297
Mine development expenditure	7	25,340,311	20,040,107
Total non-current assets		30,747,582	25,000,404
Total assets		38,795,538	32,615,085
Liabilities			
Current liabilities			
Trade and other payables	8	2,672,064	2,145,750
Borrowings	9	14,130,451	596,532
Provisions		193,554	275,391
Total current liabilities		16,996,069	3,017,673
Non-current liabilities			
Borrowings	9	12,614,353	23,734,230
Provisions		403,663	398,062
Total non-current liabilities		13,018,016	24,132,292
Total liabilities		30,014,085	27,149,965
Net assets/(liabilities)		8,781,453	5,465,120
Equity			
Issued capital	10	47,926,279	42,300,791
Reserves		36,057,461	35,889,460
Accumulated loss		(75,202,287)	(72,725,131)
Total equity		8,781,453	5,465,120

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Issued capital \$	Accumulated losses \$	Asset revaluation reserve \$	Share-based payment reserve \$	Capital contribution reserve \$	Total equity \$
Balance as at 1 July 2021	33,614,901	(65,173,862)	2,318,174	13,490,359	17,880,927	2,130,499
Fair value of performance rights	-	-	-	1,100,000	-	1,100,000
Loss for the period	-	(4,057,802)	-	-	-	(4,057,802)
Balance at 31 December 2021	33,614,901	(69,231,664)	2,318,174	14,590,359	17,880,927	(827,303)
Balance as at 1 July 2022	42,300,791	(72,725,131)	2,318,175	15,690,359	17,880,927	5,465,120
Fair value of performance rights	-	-	-	168,000	-	168,000
Issue of shares – Net of costs	5,625,488	-	-	-	-	5,625,488
Loss for the period	-	(2,477,156)	-	-	-	(2,477,156)
Balance at 31 December 2022	47,926,279	(75,202,287)	2,318,175	15,858,359	17,880,927	8,781,453

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Notes	31 December 2022	31 December 2021
		\$	\$
Cash flows from operating activities			
Receipts from product sales		895,557	437,218
Payments to suppliers and employees		(2,863,109)	(3,236,597)
Interest received		7,306	8,277
Other income		92	10,755
Government grants, subsidies and concessions		9,793	213,732
Net cash outflow from operating activities		(1,950,361)	(2,566,615)
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,439)	(624,348)
Mine development expenditure		(4,684,571)	(5,399,533)
Net cash outflow from investing activities		(4,749,010)	(6,023,881)
Cash flows from financing activities			
Loan interest paid		(446,094)	(282,924)
Repayment of Borrowings		(301,244)	(197,694)
Proceeds from Borrowings		1,000,000	28,739
Equity transaction fees		(164,512)	-
Issue of shares		5,790,000	-
Net cash inflow/ (Outflow) from financing activities		5,878,150	(451,879)
Net decrease in cash held		(821,221)	(9,042,375)
Cash and cash equivalents at the beginning of the period		6,364,612	10,915,712
Cash and cash equivalents at the end of the period	3	5,543,391	1,873,337

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

WA Kaolin Limited ("WAK" or "Company") is a company domiciled in Australia. The balances of the Company for the half-year ended 31 December 2022 include the Company itself.

b) Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 '*Interim Financial Reporting*', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the financial statements of WA Kaolin Limited for the year ended 30 June 2022 and any public announcements made by WA Kaolin Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

c) Basis of preparation

This half-year report has been prepared as described in Note 1(a). Cost is based on the fair value of the consideration given in exchange for assets and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing this report, the half-year has been treated as a discrete reporting period.

d) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations effective 1 July 2022 disclosed in Note 1(f). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

e) Significant accounting judgements and key estimates

The preparation of half-year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2022.

f) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2022

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2022. There are none that have a material impact on the Company.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2022. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to its accounting policies.

No other new standards, amendments to standards or interpretations are expected to affect the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Company only has one operating segment.

h) Going concern

For the half-year ended 31 December 2022, the Company recorded a loss from continuing operations after income tax of \$2,477,156 (2021: \$4,057,802) and had net cash outflows from operating activities of \$1,950,361 (2021: \$2,566,615) and working capital deficit of \$8,948,113 (30 June 2022: working capital surplus of \$4,597,008).

The ability of the Company to continue as a going concern is dependent on the development and achievement of commercial production at the Company's Wickepin mine, maintaining the support of its existing and potentially any new financiers, and where required securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of the business.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements as at the date of this report.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- Commercial production at the Company's Wickepin mine and associated plant will occur during H2 2023;
- Sales volumes are expected to increase once the plant achieves commercial production;
- Existing and new orders will be filled as production is ramped up during calendar year 2023; and
- Support of related party creditors and financiers.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

i) Mine Development expenditure

When an exploration area of interest meets certain criteria, including the determination of technical feasibility, commercial viability, and all planning concessions and approval, the deferred exploration and evaluation costs are transferred to Mine Development. When production commences, Mine Development costs for the relevant area of interest are amortised over the life of the mine according to the rate of depletion of the economically recoverable reserves.

j) Share based payment

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Share based payment (continued)**

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 2: REVENUE AND EXPENSES

	31 December 2022	31 December 2021
	\$	\$
(a) Revenue		
Sale of products – domestic	107,579	43,115
Sale of products - export	795,176	522,689
	<u>902,755</u>	<u>565,804</u>
(b) Other income		
Fuel tax credit	18,536	16,756
Other income	92	12,955
	<u>18,628</u>	<u>29,711</u>
(c) Expenses		
Profit before income tax includes the following specific expenses:		
<i>Rental expenses and outgoings</i>		
Property rental	8,980	9,550
Landowner's payments	5,886	39,365
Tenement rentals	17,740	64,824
Tenement rates	393	13,810
Total rental expenses and outgoings	<u>32,999</u>	<u>127,549</u>
<i>Employee benefits expense</i>		
Directors' fees	100,000	96,000
Salaries and wages	337,083	566,617
Superannuation	84,172	81,419
Payroll tax	86,474	-
Leave & Other entitlements	53,905	42,795
Total employee benefits expenses	<u>661,634</u>	<u>786,831</u>
<i>Depreciation</i>		
Plant & equipment	154,611	116,829
Leasehold improvements	32,601	12,046
Motor vehicles	14,447	7,178
Total depreciation	<u>201,659</u>	<u>136,053</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 2: REVENUE AND EXPENSES (continued)

	31 December 2022	31 December 2021
	\$	\$
<i>Other expenses</i>		
Accounting and administration fees	157,785	131,491
Consulting fees / Corporate Expenses	123,536	31,504
Insurance	186,017	61,344
Internal freight charges	181,521	83,850
Research & development costs	24,355	7,152
ASX filing fees	19,806	9,928
Legal fees	13,310	4,361
Other	264,717	365,723
	<u>971,047</u>	<u>695,353</u>
 <i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	958,253	1,412,008
	<u>958,253</u>	<u>1,412,008</u>
 <i>Share-based payments</i>		
Fair value of Performance Rights/Incentive Options granted to directors and employees	168,000	1,100,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 3: CASH AND CASH EQUIVALENTS

	31 December 2022	30 June 2022
	\$	\$
Cash at bank and on hand	5,543,391	6,364,612

NOTE 4: CURRENT TRADE AND OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
Trade receivables	131,707	108,026
Allowance for impairment	-	-
	131,707	108,026
Sundry debtors	36,943	187,766
Prepayments	549,548	245,546
Deposits paid	86,569	276,000
	804,767	709,312
Total trade and other receivables	804,767	817,338

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Year ended 30 June 2022				
At 1 July 2021, net of accumulated depreciation and impairment	415,730	68,192	4,000,000	4,483,922
Additions	248,714	129,278	387,419	765,411
Revaluation	-	-	-	-
Depreciation charge for the year	(246,132)	(18,839)	(24,065)	(289,036)
At 30 June 2022, net of accumulated depreciation and impairment	418,312	178,631	4,363,354	4,960,297
At 30 June 2022				
Cost or fair value	9,137,676	237,948	4,724,697	14,100,321
Accumulated depreciation and impairment	(8,719,364)	(59,317)	(361,343)	(9,140,024)
Net carrying amount	418,312	178,631	4,363,354	4,960,297

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Half year ended 31 December 2022				
At 1 July 2022, net of accumulated depreciation and impairment	418,312	178,631	4,363,354	4,960,297
Additions	513,892	36,230	98,511	648,633
Disposals	-	-	-	-
Depreciation charge for the year	(154,611)	(14,447)	(32,601)	(201,659)
At 31 December 2022, net of accumulated depreciation and impairment	777,593	200,414	4,429,264	5,407,271
At 31 December 2022				
Cost or fair value	9,651,568	274,178	4,823,208	14,748,954
Accumulated depreciation and impairment	(8,873,975)	(73,764)	(393,944)	(9,341,683)
Net carrying amount	777,593	200,414	4,429,264	5,407,271

The useful life of the assets was estimated as follows for both 2022 and 2021:

- Plant and equipment 2 to 20 years
- Motor vehicles 4 to 6 years
- Leasehold improvements 10 to 13 years
- Buildings 40 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 6: INVENTORY

	31 December 2022	30 June 2022
	\$	\$
Ore Stockpiles	1,133,098	229,033
Finished Goods	107,209	32,557
Packaging & Consumables	459,491	171,141
	<u>1,699,798</u>	<u>432,731</u>

Stockpiles recognised within raw materials are measured by estimating the number of tonnes added and removed from the stockpile, and the estimated recovery percentage. Stockpiles tonnages are verified to periodic surveys. Such estimates and assumptions may change as new information becomes available and could impact on the carrying value of inventories.

NOTE 7: MINE DEVELOPMENT EXPENDITURE

	31 December 2022	30 June 2022
	\$	\$
Balance at beginning of period	20,040,107	9,788,098
Wickepin plant project	5,300,204	10,252,009
Total mine development expenditure	<u>25,340,311</u>	<u>20,040,107</u>

Production Start Date/Commercial Production

The Company assesses the stage of its mine under construction to determine when the mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, management have not yet determined that the mine has achieved commercial production. Some of the criteria used to identify the production start and commercial production include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate,
- Completion of a reasonable period of testing of the mine plant and equipment,
- Ability to produce ore in saleable form (within specifications),
- Ability to sustain ongoing production of ore (achievement of 80% of nameplate capacity over five consecutive days), and
- Positive cash flow position from operations.

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2022	30 June 2022
	\$	\$
Current		
Trade payables	2,348,563	2,070,493
Accruals	217,306	6,833
Other employment-related payables	106,195	68,424
	<u>2,672,064</u>	<u>2,145,750</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 9: BORROWINGS

	31 December 2022	30 June 2022
Current	\$	\$
Loans from related parties (i)	1,105,053	311,000
Loans from other parties (ii)	13,025,398	285,532
	14,130,451	596,532
Non-current		
Loans from related parties (i)	1,000,000	749,107
Loans from other parties (ii)	11,614,353	22,985,123
	12,614,353	23,734,230
Total borrowings	26,744,804	24,330,762

- (i) The Company has the following executed loan agreements in place with its related parties at the reporting date with the respective terms and conditions:
- (a) Lender: Wamco Industries Limited
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 0%
 Collateral securities: None
 Amount due in less than 1 year: \$1,105,053
- (b) Lender: Wamco Industries Limited
 Agreement date: 30 November 2022
 Expiry date: 01 June 2024
 Interest rate: 8%
 Collateral securities: None
 Amount due in more than 1 year: \$1,000,000
- (ii) The Company has the following executed loan agreements in place from other parties at the reporting date with the respective terms and conditions:
- (a) Lender: Boneyard Investments Pty Ltd
 Agreement date: 14 February 2022
 Expiry date: 14 February 2025
 Interest rate: 8%
 Repayments: The loan amount will be repaid in one lump sum on the expiry date
 Amount due in less than 1 year: \$51,507
 Amount due in more than 1 year: \$5,000,000 (14 February 2025)
- (b) There are two further finance agreements with Toyota Finance for the financing of plant and equipment and a small insurance premium funding facility which was repaid in 2022.
- (c) Lender: Scientific Management Associates (Operations) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 6% per annum
 Collateral securities: None
 Amount due in less than 1 year: \$8,000,000 (20 September 2023)
- (d) Lender: Scientific Management Associates (Victoria) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2028
 Interest rate: 0%
 Collateral securities: None
 Amount due in less than 1 year: \$4,635,000 (20 September 2023)
 Amount due in more than 1 year: \$7,405,000 (20 September 2024)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 10 CAPITAL AND RESERVES

	31 December 2022		30 June 2022	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital	371,591,503	47,926,279	332,991,470	42,300,791

(b) Movements in ordinary share capital

	Year to 31 December 2022		Year to 30 June 2022	
	Number of shares	\$	Number of shares	\$
Balance at beginning of year	332,991,470	42,300,791	282,821,885	33,614,901
Issue of shares to third parties	38,600,033	5,790,000	50,169,585	9,030,500
Issue of shares upon IPO	-	-	-	-
Issue of shares upon conversion of convertible notes	-	-	-	-
Capital raising costs	-	(164,512)	-	(344,610)
Balance at end of year	371,591,503	47,926,279	332,991,470	42,300,791

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movements in unlisted performance rights

No.	Balance at start of period	# Granted during the period	Vested and Exercised	Cancelled/ Forfeited	Balance at end of period	Value vested during the period (\$)
1	-	5,500,000	-	-	5,500,000	-
2	-	5,500,000	-	-	5,500,000	-
3	-	8,250,000	-	-	8,250,000	-
4	-	8,250,000	-	-	8,250,000	-
	-	27,500,000	-	-	27,500,000	-

During the year ended 30 June 2021, the Company issued 27,500,000 Performance Rights to the chief executive, executive director and former director/founder. Each Performance Right is a right to be issued with a single ordinary share upon vesting of the Performance Right, free of encumbrances. No consideration will be payable upon the vesting or conversion of the Performance Rights.

Subject to two specific rights¹, Performance Rights will vest if and when the following milestones (each a Milestone) are achieved in the periods specified in the table below:

¹(General meetings) The Performance Rights confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (Shareholders). Holders have the right to attend general meetings of Shareholders.

(No voting rights) The Performance Rights do not entitle the holder to vote on any resolutions proposed at a general meeting of the shareholders of the Company except:

- i) where the resolution is to amend the rights attaching to the Performance Rights; or
- ii) as otherwise required by law.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

No.	Milestone	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
1	Project Delivery – CAPEX: Wickepin production facility has been constructed and commissioned at or below 112.5% of budget (\$18 million) ¹	5,500,000	-	-	-
2	Project Delivery – Production: Wickepin production achieves an average production rate equal to or exceeding 20t/hour of processed kaolin during a completion test, to be conducted over a 5-day period of scheduled plant operation hours ¹	5,500,000	-	-	-
3	Revenue: Deliver operating revenue from the Wickepin plant of the amount specified or greater, as set out in the audited accounts for the period ending 30 June of the relevant Milestone.	Revenue Target	\$31.7m	\$44.8m	\$80.7m
		Rights	2,750,000	2,750,000	2,750,000
4	EBITDA: Deliver EBITDA of the amount specified or greater, as set out in the audited accounts for the period ending 30 June of the relevant Milestone.	EBITDA Target	\$5.7m	10.3m	21.4m
		Rights	2,750,000	2,750,000	2,750,000
	Total number of Performance Rights to vest across all holders (of a total on issue of 27,500,000):	11,000,000	5,500,000	5,500,000	5,500,000
	Percentage of a holder's Performance Rights to vest:	40%	20%	20%	20%

¹ The first two milestones were extended to 30 September 2022 after shareholders approved the extension at the Company's General Meeting held on 29 June 2022, and are still subject to being internally audited and agreed by the Board.

(d) Movements in unlisted options

	Period to 31 December 2022		Year to 30 June 2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Balance at beginning of financial period	\$0.27	167,232,813	\$0.27	167,232,813
Issue of Incentive options to directors and employees ¹	\$0.35	1,500,000	-	-
Issue of options to Lead Manager (Tr1)	-	-	-	-
Issue of options to Lead Manager (Tr2)	-	-	-	-
Issue of free attaching IPO options	-	-	-	-
Issue of IPO options (to convertible note holders)	-	-	-	-
Balance at end of financial period	\$0.27	168,732,813	\$0.27	167,232,813

¹ 1,500,000 Incentive options were approved at the Company's Annual General Meeting on 18 November 2022 however were issued on 9 January 2023

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 10: CAPITAL AND RESERVES (continued)

(d) Movements in unlisted options (continued)

During the half-year ended 31 December 2022, the Company's shareholders approved the grant of 1,500,000 incentive options to Mr Pat Walta, a non-executive director, as part of his remuneration package in line with the other directors. The options were subsequently issued to Mr Walta on 9 January 2023.

The fair value of options during the half-year ended 31 December 2022 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	31 December 2022
Expected annual volatility	100%
Risk-free interest rate	3.42%
Expected life	5 years
Share price at grant date	\$0.17
Expected dividend yield	0%

NOTE 11: COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2022, the Company has made various commitments in the sum of \$114,240 (30 June 2022: \$498,815) (excluding GST) in relation to the construction of its processing facility, associated works and equipment at its Wickepin mine site in Western Australia.

No other capital expenditure commitments have been made as at 31 December 2022 (30 June 2022: Nil).

Contractual commitments

The Company announced on 26 May 2021 that it had entered into a 15-year LNG Supply agreement, due to commence from the start of operations at its Wickepin plant, which was originally slated to be in Q1 2022. As a result of the delay in start-up, the Company has commitments of approximately \$2,055,666 (excluding GST) in the first year of production and then approximately \$4,262,100 (excluding GST) per year, until such time as the Company commits to its Stage 2 project, which will see production capacity increased from 200,000 tonnes per year to 400,000 per year.

In addition, the Company announced on 10 September 2021 that it signed a 15-year agreement for the supply of water to the Company's Wickepin Kaolin Project with the Western Australian Water Corporation. Over the period of this agreement, the Water Corporation will make available up to 49kL of water per day or 343kL per week to the Company. The Company paid a one-off upfront capacity contribution and then a monthly variable charge depending on volume used (rates subject to annual review) with no minimum monthly requirement.

Contingencies

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd (Wamco) whereby the Company has agreed to pay a royalty until the earlier of 1 July 2049 and the date the Company relinquishes, surrenders or conveys to Wamco all tenements (other than L70/156 and G70/251). Details of the key terms are described in the Company's 2022 Annual Financial Report at Note 18.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 11: COMMITMENTS AND CONTINGENCIES (continued)

There were no contingencies noted as at 31 December 2022 (30 June 2022: Nil).

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

NOTE 13: RELATED PARTIES

Payments to related parties

During the period ended 31 December 2022, the Company made the following payments to related parties:

- (i) director fees and superannuation of \$95,289
- (ii) salary, superannuation and vehicle allowance of \$39,350 to a part-time sales executive, who is the daughter of the Company's executive director
- (iii) various payments detailed below to an entity controlled by the Company's executive director:
 - 1) Consulting fees - \$116,665
 - 2) Royalties - \$7,808
 - 3) Expense reimbursements (at cost) - \$37,960
 - 4) Payment for contractors supplied - \$131,537.

Converting Loan

The Company's former lender, Wamco Industries Group Pty Ltd, an entity related to executive director, Mr Alf Baker and others, subscribed to \$1 million by way of a Converting Loan on 30 November 2022. This Converting Loan will automatically convert to ordinary shares at an issue price of 15 cents, upon obtaining approval from the Company's shareholders at a general meeting to be held in early CY23. If shareholder approval is not obtained, the Converting Loan will be unsecured, repayable in full on 1 June 2024, accrue interest at 8% per annum until paid and otherwise be on standard terms for an agreement of this nature.

Grant of options to non-executive director

During the half-year ended 31 December 2022, the Company's shareholders approved the grant of 1,500,000 incentive options to Mr Pat Walta, a non-executive director, as part of his remuneration package in line with the other directors. The options were subsequently issued to Mr Walta on 9 January 2023.

DIRECTORS' DECLARATION

In the opinion of the directors of WA Kaolin Limited (the 'Company'):

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year then ended; and
 - b. complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
2. Subject to the disclosures in note 1(h), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001



Dr John White
Chairman

Dated this 14th day of March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of WA Kaolin Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of WA Kaolin Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 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 Company 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company 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 responsibility 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 Company'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.

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth

14 March 2023