

Appendix 4D
WA Kaolin Limited
ABN 56 083 187 017
FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Results for announcement to the market

Extracts of the WA Kaolin Limited results for the half year ended 31 December 2021

Revenues from continuing activities	Down	0.4%	to	\$565,804
Loss from ordinary activities after tax attributable to members	Down	77.7%	to	\$4,057,802
Comprehensive loss for the period attributable to members	Down	77.7%	To	\$4,057,802
Dividends	Amount per share	Franked amount per share		
Interim dividend	Nil	Nil		
Final dividend	Nil	Nil		
Record date for determining entitlements to the dividend	N/A			
Other information				
Net asset backing per ordinary share	(\$0.003) per share (2020: \$0.02 per share)			
Net tangible asset backing per ordinary share	(\$0.003) per share (2020: \$0.003 per share)			
Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2021 half-year financial statements.				



WA Kaolin Limited

ABN 56 083 187 017

Interim Financial Report

31 December 2021

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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 Linton Putland (Non-Executive Director)
Mr Cameron Baker (Alternate Director)

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

Gilbert & Tobin
Level 16 Brookfield Place Tower
2/123 St George's Terrace
PERTH WA 6000
Telephone: +61 8 9413 8400

Bankers

National Australia Bank
255 George Street
SYDNEY NSW 2000

Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower
5 Spring Street
PERTH WA 6000

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DIRECTORS' REPORT

The directors of WA Kaolin Limited (the "Company") submit the financial report for the half year ended 31 December 2021. 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 Linton Putland
 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 \$4.1m (31 December 2020: \$18.2m), of which \$1.1m was for a share-based payments expense (31 December 2020: \$4.1m), \$1.4m for interest on borrowings (31 December 2020: \$1.6m) and \$Nil of fair value adjustments to convertible notes (31 December 2020: \$8.9m). Significant non-cash expenses like those mentioned are typical for a Company that completed an IPO and subsequently listed on the ASX.

Financial Position

At 31 December 2021, the Company had cash reserves of \$1.9m (30 June 2021: \$10.9m).

Although the net asset position of the Company reduced to (\$0.8m) as at 31 December 2021 (30 June 2021: \$2.1m), this will change materially as a result of a recent capital raising event completed during the first half of calendar year 2022 (refer to "Significant Events after Reporting Date" below).

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 has current operations in a Company-owned facility in East Rockingham, Western Australia, where it operates a small-scale production plant producing beneficiated kaolin utilising its K99 Process. The Company also conducts mining operations at its mining tenement in East Wickepin, Western Australia, and transfers ore to East Rockingham for processing. The Company then sells the kaolin to customers directly and through a network of distributors both in Australia and overseas.

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

- construction of a scaled-up processing plant in East Wickepin, utilising the K99 Process;
- progressive increase in production to circa 200,000 tonnes per annum through the plant planned by the end of 2022;
- expansion of production capacity at the Wickepin plant to 400,000 tonnes per annum within 3 years through the installation of a second stage of K99 production equipment;
- negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties;

DIRECTORS' REPORT (continued)

- continuing research and development into kaolin processing and the construction of an additional wet processing plant to produce product suitable for use in premium paper and packaging markets; and
- investment in further processing expansion program for the construction of additional processing plant to significantly increase production capacity utilising both the K99 Process and new technologies under development.

During the half year, the Company continued the construction and installation works at Wickepin for its K99 processing plant as well as securing orders from new and existing customers for its new facility.

Significant events after reporting date

On 9 February 2022, the Company released an announcement to the market confirming that it had secured \$12m through a capital raising comprising of three components: 1) \$6.1m placement of new ordinary shares, 2) \$5m secured working capital facility/loan, and 3) \$0.9m underwritten Share Purchase Plan to eligible shareholders. On 4 March 2022, the Company advised that its Share Purchase Plan had received applications for 16,280,695 ordinary shares at an issue price of \$0.18, raising \$2,930,500. The Company's directors subsequently agreed that they would accept all oversubscriptions and there would be no scale-back.

On 1 March 2022, the Company also announced that it had signed a 3-year offtake agreement for up to 10,000 tonnes per annum for the period 1 July 2022 to 30 June 2025.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while there has not been any financially material impact on the Company up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2021 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 2021.

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
11 March 2022

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 2021, 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, 11 March 2022

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Notes	31 December 2021 \$	31 December 2020 \$ (Restated)
Continuing operations			
Revenue	2a	565,804	567,923
Other income	2b	29,711	54,824
Cost of sales		(403,801)	(416,295)
Rental expenses and outgoings	2c	(127,549)	(116,408)
Employee benefits expense	2c	(786,831)	(442,987)
Depreciation and amortisation	2c	(136,053)	(51,429)
Other expenses	2c	(695,353)	(3,247,821)
Share-based payments	2c	(1,100,000)	(4,050,182)
Results from operating activities		(2,654,072)	(7,702,375)
Finance income		8,277	7,937
Finance costs	2c	(1,412,007)	(10,479,278)
Net finance costs		(1,403,730)	(10,471,341)
Loss before income tax		(4,057,802)	(18,173,716)
Income tax (expense)/benefit		-	-
Loss after income tax from continuing operations		(4,057,802)	(18,173,716)
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		(4,057,802)	(18,173,716)
(Loss)/Profit per share for the period attributable to the members of the Company			
Basic (loss)/profit per share (cents per share)		\$(0.014)	\$(0.11)
Diluted (loss)/profit per share (cents per share)		\$(0.014)	\$(0.11)

The 31 December 2020 comparative has been restated to recognise revenue and cost of sales (see note 2(a))

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	31 December 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents	3	1,873,337	10,915,712
Trade and other receivables	4	1,493,202	557,065
Total current assets		3,366,539	11,472,777
Non-current assets			
Property, plant and equipment	5	4,903,217	4,483,922
Mine development expenditure	7	15,821,598	9,788,098
Total non-current assets		20,724,815	14,272,020
Total assets		24,091,354	25,744,797
Liabilities			
Current liabilities			
Trade and other payables	8	3,057,495	2,829,130
Borrowings	9	1,529,866	943,842
Provisions		87,150	59,796
Total current liabilities		4,674,511	3,832,768
Non-current liabilities			
Borrowings	9	19,914,146	19,451,530
Provisions		330,000	330,000
Total non-current liabilities		20,244,146	19,781,530
Total liabilities		24,918,657	23,614,298
Net assets/(liabilities)		(827,303)	2,130,499
Equity			
Issued capital	10	33,614,901	33,614,901
Reserves		34,789,460	33,689,460
Accumulated loss		(69,231,664)	(65,173,862)
Total equity		(827,303)	2,130,499

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

	Issued capital \$	Accumulated losses \$	Asset revaluation reserve \$	Share-based payment reserve \$	Capital contribution reserve \$	Total equity \$
Balance as at 1 July 2020	3,070,081	(44,500,565)	1,944,779	2,939	17,880,927	(21,601,839)
Issue of shares (net of costs)	30,544,820	-	-	-	-	30,544,820
Fair value of options	-	-	-	13,487,420	-	13,487,420
Loss for the period	-	(18,173,716)	-	-	-	(18,173,716)
Balance at 31 December 2020	33,614,901	(62,674,281)	1,944,779	13,490,359	17,880,927	4,256,685
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)

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Receipts from product sales		345,894	258,998
Payments to suppliers and employees		(2,962,273)	(3,451,705)
Interest received		8,277	7,937
Other income		10,755	-
Government grants, subsidies and concessions		213,732	51,419
Net cash outflow from operating activities		(2,383,615)	(3,133,351)
Cash flows from investing activities			
Purchase of property, plant and equipment		(624,348)	(1,771,961)
Mine development expenditure		(5,582,533)	-
Net cash outflow from investing activities		(6,206,881)	(1,771,961)
Cash flows from financing activities			
Loan interest paid		(282,924)	(386,066)
Repayment of Borrowings		(197,694)	(2,818,000)
Proceeds from Borrowings		28,739	2,819,000
Equity transaction fees		-	(554,226)
Issue of shares		-	22,000,000
Net cash (outflow)/inflow from financing activities		(451,879)	21,060,708
Net increase/(decrease) in cash held		(9,042,375)	16,155,396
Cash and cash equivalents at the beginning of the period		10,915,712	2,020,295
Cash and cash equivalents at the end of the period	3	1,873,337	18,175,691

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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 2021 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 2021 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 2021 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 2021, with the exception of the below:

Determination of date of reclassification to mine development expenditure

During the year ended 30 June 2021, exploration and evaluation expenditure attributable to the Wickepin area of interest was reclassified to mine development expenditure pursuant to the making of a judgement by the Directors that the criteria to be met to make such reclassification had been met on 26 November 2020. In making that judgement, the Directors took into account the outcomes of a definitive feasibility study and the listing of the Company on the ASX.

Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Where the Directors adjudge that it is necessary to make material changes to key assumptions employed in the life-of-mine model, then these new key assumptions are incorporated into the life-of-mine model and the resultant value-in-use valuation produced is for determining the necessity for and amount of any impairment.

As at 31 December 2021, the gross asset base of the Company directly attributable to the Wickepin mine amounted to \$15,821,598 (31 December 2020: \$3,523,818). The Directors do not believe that there is any necessity to impair the carrying value of that asset base at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2021

In the half-year ended 31 December 2021, 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 2021. 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 2021. 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.

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

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

On 9 February 2022, the Company released an announcement to the market confirming that it had secured \$12m through a capital raising comprising of three components: 1) \$6.1m placement of new ordinary shares, 2) \$5m secured working capital facility/loan, and 3) \$0.9m underwritten Share Purchase Plan to eligible shareholders. These funds will assist with the Wickepin Project Stage 1 ramp-up, enable acceleration of Stage 2 to increase production capacity and for general application to working capital.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Share based payment (continued)**

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 2: REVENUE AND EXPENSES

	31 December 2021	31 December 2020
	\$	\$
(a) Revenue¹		
Sale of products – domestic	43,115	250,047
Sale of products - export	522,689	317,876
	<u>565,804</u>	<u>567,923</u>

¹ As a result of the early adoption of certain amendments to AASB 116 Property, Plant & Equipment, the comparatives for 2020 have been restated in order to align with the current year

(b) Other income		
Cashflow Boost from COVID-19	-	50,000
Shipping charge	1,612	-
Labour hire	2,200	-
Currency gain	9,143	-
Fuel tax credit	16,756	
Other income	-	1,426
	<u>29,711</u>	<u>51,426</u>

(c) Expenses

Profit before income tax includes the following specific expenses:

Rental expenses and outgoings

Property rental	9,550	10,400
Landowner's payments	39,365	60,805
Tenement rentals	64,824	16,822
Tenement rates	13,810	28,381
Total rental expenses and outgoings	<u>127,549</u>	<u>116,408</u>

Employee benefits expense

Directors' fees	96,000	99,000
Salaries and wages	566,617	324,119
Superannuation	81,419	39,950
Vehicle allowance	15,440	-
Leave entitlements	27,355	(20,082)
Total employee benefits expenses	<u>786,831</u>	<u>442,987</u>

Depreciation

Plant & equipment	116,829	35,747
Leasehold improvements	12,046	3,960
Motor vehicles	7,178	11,722
Total depreciation	<u>136,053</u>	<u>51,429</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 2: REVENUE AND EXPENSES (continued)

	31 December 2021	31 December 2020
	\$	\$
<i>Other expenses</i>		
Accounting and administration fees	131,491	37,615
Capital raising fees	-	166,140
Consulting fees / fees associated with listing	31,504	2,114,220
Insurance	61,344	87,565
Internal freight charges	83,850	97,971
Research & development costs	7,152	10,457
ASX filing fees	9,928	126,516
Legal fees	4,361	382,359
Other	365,723	224,978
	<u>695,353</u>	<u>3,247,821</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,412,008	1,562,294
Fair value adjustment on convertible notes	-	8,916,984
	<u>1,412,008</u>	<u>10,479,278</u>
<i>Share-based payments</i>		
Fair value of Performance Rights/Incentive Options granted to directors and employees	<u>1,100,000</u>	<u>4,050,182</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 3: CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021
	\$	\$
Cash at bank and on hand	1,873,337	10,915,712

NOTE 4: CURRENT TRADE AND OTHER RECEIVABLES

	31 December 2020	30 June 2021
	\$	\$
Trade receivables	243,305	108,248
Allowance for impairment	-	-
	<u>243,305</u>	<u>108,248</u>
Sundry debtors	16,756	211,543
Prepayments	884,969	125,031
Deposits paid	89,322	11,280
Other receivable – GST (net)	258,850	100,963
	<u>1,249,897</u>	<u>448,817</u>
Total trade and other receivables	<u>1,493,202</u>	<u>557,065</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Year ended 30 June 2021				
At 1 July 2020, net of accumulated depreciation and impairment	160,573	33,473	3,649,856	3,843,902
Additions	358,966	43,393	-	402,359
Revaluation	-	-	373,397	373,397
Depreciation charge for the year	(103,809)	(8,674)	(23,253)	(135,736)
At 30 June 2021, net of accumulated depreciation and impairment	415,730	68,192	4,000,000	4,483,922
At 30 June 2021				
Cost or fair value	8,888,962	108,670	4,337,278	13,334,910
Accumulated depreciation and impairment	(8,473,232)	(40,478)	(337,278)	(8,850,988)
Net carrying amount	415,730	68,192	4,000,000	4,483,922

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Half year ended 31 December 2021				
At 1 July 2021, net of accumulated depreciation and impairment	415,730	68,192	4,000,000	4,483,922
Additions	222,694	23,475	309,179	555,348
Disposals	-	-	-	-
Depreciation charge for the year	(116,829)	(7,178)	(12,046)	(136,053)
At 31 December 2021, net of accumulated depreciation and impairment	521,595	84,489	4,297,133	4,903,217
At 31 December 2021				
Cost or fair value	9,111,656	132,145	4,646,457	13,890,258
Accumulated depreciation and impairment	(8,590,061)	(47,656)	(349,324)	(8,987,041)
Net carrying amount	521,595	84,489	4,297,133	4,903,217

The useful life of the assets was estimated as follows for both 2021 and 2020:

- 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 2021

NOTE 6: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2021	30 June 2021
	\$	\$
Exploration and evaluation costs	-	1,752,251
Formation costs	-	3,881
Reclassify to mine development expenditure	-	(1,756,132)
	-	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

The criteria to reclassify deferred exploration and evaluation expenditure to mine development expenditure for the Company was met on 26 November 2020. Accordingly, \$1,756,132 of deferred exploration and evaluation expenditure related to the Company's Wickepin kaolin project was reclassified to mine development expenditure, on that date.

The exploration and evaluation asset was tested for impairment at the date of transfer and no impairment was necessary.

NOTE 7: MINE DEVELOPMENT EXPENDITURE

	31 December 2021	30 June 2021
	\$	\$
Balance at beginning of period	9,788,098	-
Reclassified from deferred exploration and evaluation expenditure	-	1,756,132
Wickepin plant project	6,033,500	8,031,966
Total mine development expenditure	15,821,598	9,788,098

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
Current	\$	\$
Trade payables	2,744,805	2,590,050
Accruals	208,655	196,056
Other employment-related payables	104,035	43,024
	3,057,495	2,829,130

NOTE 9: BORROWINGS

	31 December 2021	30 June 2021
Current	\$	\$
Loans from related parties	1,266,000	790,896
Loans from other parties	263,866	152,946
	1,529,866	943,842

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTE 9: BORROWINGS (continued)

Non-current

Loans from related parties ¹	1,824,505	19,200,842
Loans from other parties ¹	18,089,641	250,688
	19,914,146	19,451,530
Total borrowings	21,444,012	20,395,372

¹ During the half-year ended 31 December 2021, it was assessed that Scientific Management Associates (Victoria) Pty Ltd and Scientific Management Associates (Ops) Pty Ltd, both material lenders to the Company, were not classified related parties of the Company as defined in Accounting Standard AASB 124 "Related Party Disclosures". The loan balances for those companies have now been reclassified as "Loans from other parties" during the period ended 31 December 2021. The companies above were previously assessed as related parties as a former director of the Company, Mr. Keith Snell, held an indirect ownership interest in those companies.

Convertible Notes	31 December	30 June 2021
	2021	
	\$	\$
Opening balance	-	5,115,327
Notes issued	-	3,819,000
Interest accrued	-	235,656
Interest paid	-	(281,809)
Fair value adjustment upon granting of options	-	7,198,075
Financing cost upon issue of shares	-	1,718,750
Amounts converted to share capital	-	(9,564,375)
Amounts transferred to reserves	-	(8,240,624)
At period end	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 10 CAPITAL AND RESERVES

	31 December 2021		30 June 2021	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital	282,821,885	33,614,901	282,821,885	33,614,901
(b) Movements in ordinary share capital				
	Year to 31 December 2021		Year to 30 June 2021	
	Number of shares	\$	Number of shares	\$
Balance at beginning of year	282,821,885	33,614,901	150,000,000	3,070,081
Change to number of shares on issue above as a result of a share consolidation (0.8333:1) on 13 July 2020	-	-	125,000,000	3,070,081
Issue of shares upon IPO	-	-	110,000,000	22,000,000
Issue of shares upon conversion of convertible notes	-	-	47,821,885	9,564,375
Capital raising costs ¹	-	-	-	(1,019,555)
Balance at end of year	282,821,885	33,614,901	282,821,885	33,614,901

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 2021**

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)	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	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%

At 31 December 2021, an expense of \$1,100,000 has been recognised in relation to the first tranche of performance rights (5,500,000), given the assessment that there is a high probability that the performance hurdle will be met.

For the remaining tranche of performance rights, whilst the above milestones are possible, they are not yet probable so no expense has been recognised during the half year.

(d) Movements in unlisted options

	Period to 31 December 2021		Year to 30 June 2021	
	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	-	-
Issue of Incentive options to directors and employees	-	-	\$0.35	30,500,000
Issue of options to Lead Manager (Tr1)	-	-	\$0.25	5,000,000
Issue of options to Lead Manager (Tr2)	-	-	\$0.30	5,000,000
Issue of free attaching IPO options	-	-	\$0.25	55,000,000
Issue of IPO options (to convertible note holders)	-	-	\$0.25	71,732,813
Balance at end of financial period	\$0.27	167,232,813	\$0.27	167,232,813

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 10: CAPITAL AND RESERVES (continued)

(d) Movements in unlisted options (continued)

During the year ended 30 June 2021, the Company granted:

- (i) 30,500,000 Incentive options to directors and key management personnel with a fair value of \$4,050,405 for the purchase of 30,500,000 ordinary shares at a price of \$0.35 for a period of five years from date of grant. The Incentive options vested immediately on the grant date. The share price at the date of grant was \$0.20.
- (ii) 5,000,000 Lead Manager options (Tranche 1) with a fair value of \$574,762 for the purchase of 5,000,000 ordinary shares at a price of \$0.25 for a period of three years from date of grant. The Lead Manager options (Tranche 1) vested immediately on the grant date. The share price at the date of grant was \$0.20.
- (iii) 5,000,000 Lead Manager options (Tranche 2) with a fair value of \$621,630 for the purchase of 5,000,000 ordinary shares at a price of \$0.30 for a period of four years from date of grant. The Lead Manager options (Tranche 2) vested immediately on the grant date. The share price at the date of grant was \$0.20.
- (iv) 55,000,000 free attaching IPO options for the purchase of 55,000,000 ordinary shares at a price of \$0.25 for a period of three years from date of grant. The IPO options will vest one year from the grant date. The share price at the date of grant was \$0.20.
- (v) 71,732,813 IPO options (to convertible note holders) with a fair value of \$8,240,572 for the purchase of 71,732,813 ordinary shares at a price of \$0.25 for a period of three years from date of grant. The IPO options will vest one year from the grant date. The share price at the date of grant was \$0.20.

The fair value of options during the year ended 30 June 2021 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	30 June 2021
Expected annual volatility	100%
Risk-free interest rate	0.86%
Expected life	1 - 5 years
Share price at grant date	\$0.20
Expected dividend yield	0%

NOTE 11: COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2021, the Company has made various commitments in the sum of \$733,914 (30 June 2021: \$1,542,316) (excluding GST) in relation to the construction of its de-gritting plant, associated works and equipment at its Wickepin mine site in Western Australia.

No other capital expenditure commitments have been made as at 31 December 2021 (30 June 2021: 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, likely to be in Q1 2022. As a result, 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.

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

NOTE 11: COMMITMENTS AND CONTINGENCIES (continued)

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 2020 Annual Financial Report at Note 18.

No other contingencies were noted as at 31 December 2021 (30 June 2021: Nil).

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

On 9 February 2022, the Company released an announcement to the market confirming that it had secured \$12m through a capital raising comprising of three components: 1) \$6.1m placement of new ordinary shares, 2) \$5m secured working capital facility/loan, and 3) \$0.9m underwritten Share Purchase Plan to eligible shareholders. On 4 March 2022, the Company advised that its Share Purchase Plan had received applications for 16,280,695 ordinary shares at an issue price of \$0.18, raising \$2,930,500. The Company's directors subsequently agreed that they would accept all oversubscriptions and there would be no scale-back.

On 1 March 2022, the Company announced that it had signed a 3-year offtake agreement for up to 10,000 tonnes per annum for the period 1 July 2022 to 30 June 2025.

No other matter or circumstance has arisen since 31 December 2021 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

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

During the period ended 31 December 2021, the Company made the following payments to related parties:

- (i) director fees and superannuation of \$84,881
- (ii) salary, superannuation and vehicle allowance of \$45,714 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 - \$90,000
 - 2) Royalties - \$12,504
 - 3) Landholder compensation - \$17,254
 - 4) Water usage reimbursement - \$7,250
 - 5) Expense reimbursements (at cost) - \$72,400
 - 6) Payment for contractors supplied - \$65,569
 - 7) Motor vehicle expenses - \$858
- iv) purchase of building supplies in the sum of \$2,965 to an entity controlled by the son of the Company's executive director
- v) loan repayment of \$25,000 to an entity controlled by the Company's executive director.

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 2021 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. 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 11 March 2022

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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 2021, 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 2021 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.

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.

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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 2021 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

BDO


Dean Just
Director

Perth, 11 March 2022

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