

Appendix 4D

WA Kaolin Limited

ABN 56 083 187 017

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Results for announcement to the market

Extracts of the WA Kaolin Limited results for the half year ended 31 December 2020

Revenues from continuing activities		n/a	to	n/a
Loss from ordinary activities after tax attributable to members	Up	719%	to	\$18,173,716
Comprehensive loss for the period attributable to members	Up	719%	To	\$18,173,716
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	\$0.02 per share (2019: (\$0.12) per share)			
Net tangible asset backing per ordinary share	\$0.003 per share (2019: (\$0.15) per share)			
Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2020 half-year financial statements.				



WA Kaolin Limited

ABN 56 083 187 017

Interim Financial Report

31 December 2020

Contents	Page
Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Statement of Financial Position	7
Condensed Statement of Changes in Equity	8
Condensed Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	24
Independent Auditor's Review Report	25

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)

Company secretary

Mr. Michael Kenyon

Registered office

First Floor, 11 Marlo Place
HALLAM VIC 3803
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
Station Street
PERTH WA 6008

DIRECTORS' REPORT

The directors of WA Kaolin Limited (the "Company") submit the financial report for the half year ended 31 December 2020. 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 Keith Snell (Resigned 24 July 2020)

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 Review

During the six months ended 31 December 2020, the Company raised an amount of \$2.8m before costs through the issue of convertible notes. A further \$1.0m loan in the Company from a third party was also converted to convertible notes during the period. The Company also undertook an Initial Public Offering (IPO) where it raised \$22m in cash before costs through the issue of 110,000,000 ordinary shares. The aforementioned convertible notes together with those issued during the year ended 30 June 2020 were all converted to 47,821,875 ordinary shares in the Company. A further 10 ordinary shares were issued under an Ancillary Offer to take the Company's issued shares to a total of 282,821,885 (refer Note 10).

Further to the IPO, the Company also issued a total of 167,232,813 options (refer Note 10) to convertible noteholders upon conversion of their shares, new investors in the IPO, the Lead Manager and some directors and employees. Finally, the Company also issued a total of 27,500,000 Performance Rights to the chief executive, executive director and former director/founder (refer Note 10).

The Company subsequently listed on the Australian Securities Exchange (ASX) on 26 November 2020.

Financial Results

The Company recorded a net loss after tax for the half year of \$18.2m (31 December 2019: \$2.2m), of which \$4.1m was for share-based payments expense (31 December 2019: \$Nil), \$1.6m for interest on borrowings (31 December 2019: \$1.0m) and \$8.9m of fair value adjustments to convertible notes (31 December 2019: \$Nil). 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 2020, the Company had cash reserves of \$18.2m (31 December 2019: \$2.0m).

The net assets of the Company increased by \$25.9m during the six months from (\$21.6m) to \$4.3m. This increase was principally as a result of the IPO undertaken by the Company. The Company also repaid \$2.8m of debt it carried at 30 June 2020 as foreshadowed in the Company's prospectus dated 11 October 2020.

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 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.

DIRECTORS' REPORT (continued)

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 by the end of 2023 through the installation of a second stage of production equipment;
- 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.

During the half year, the Company commenced the civil works and construction at Wickepin for its K99 processing plant as well as placing orders for long lead-time equipment for the new facility.

Significant events after reporting date

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 2020, 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 2020 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 2020.

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
16 March 2021

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 2020, 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.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2021

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	31 December 2020 \$	31 December 2019 \$
Continuing operations			
Other income	2a	51,426	41,397
Rental expenses and outgoings	2b	(116,408)	(102,435)
Employee benefits expense	2b	(442,987)	(303,128)
Depreciation and amortisation	2b	(51,429)	(27,129)
Other expenses	2b	(3,092,795)	(841,734)
Share-based payments	2b, 10d	(4,050,182)	-
Results from operating activities		<u>(7,702,375)</u>	<u>(1,233,029)</u>
Finance income		7,937	3
Finance costs	2b	<u>(10,479,278)</u>	<u>(987,315)</u>
Net finance costs		<u>(10,471,341)</u>	<u>(987,312)</u>
Loss before income tax		(18,173,716)	(2,220,341)
Income tax (expense)/benefit		-	-
Loss after income tax from continuing operations		<u>(18,173,716)</u>	<u>(2,220,341)</u>
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		<u>(18,173,716)</u>	<u>(2,220,341)</u>
(Loss)/Profit per share for the period attributable to the members of the Company			
Basic (loss)/profit per share (cents per share)		\$(0.11)	\$(0.02)
Diluted (loss)/profit per share (cents per share)		\$(0.11)	\$(0.02)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	31 December 2020 \$	30 June 2020 \$
Assets			
Current assets			
Cash and cash equivalents	3	18,175,691	2,020,295
Trade and other receivables	4	572,642	257,206
Total current assets		18,748,333	2,277,501
Non-current assets			
Property, plant and equipment	5	3,796,749	3,843,902
Mine development expenditure	7	3,523,818	-
Deferred exploration and evaluation expenditure	6	-	1,756,132
Total non-current assets		7,320,567	5,600,034
Total assets		26,068,900	7,877,535
Liabilities			
Current liabilities			
Trade and other payables	8	2,611,731	2,548,241
Borrowings	9	854,245	9,155,327
Provisions		45,482	65,563
Total current liabilities		3,511,458	11,769,131
Non-current liabilities			
Borrowings	9	18,300,757	17,710,243
Total non-current liabilities		18,300,757	17,710,243
Total liabilities		21,812,215	29,479,374
Net assets/(liabilities)		4,256,685	(21,601,839)
Equity			
Issued capital	10	33,614,901	3,070,081
Reserves		33,316,065	19,828,645
Accumulated loss		(62,674,281)	(44,500,565)
Total equity		4,256,685	(21,601,839)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Issued capital \$	Accumulated losses \$	Asset revaluation reserve \$	Share-based payment reserve \$	Capital contribution reserve \$	Total equity \$
Balance as at 1 July 2019	3,020,000	(39,337,912)	3,175,779	2,939	17,880,927	(15,258,267)
Loss for the year	-	(2,220,341)	-	-	-	(2,220,341)
Issue of shares	39,642	-	-	-	-	39,642
Exercise of options	10,439	-	-	-	-	10,439
Balance at 31 December 2019	3,070,081	(41,558,253)	3,175,779	2,939	17,880,927	(17,428,527)
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

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Notes	31 December 2020	31 December 2019
		\$	\$
Cash flows from operating activities			
Receipts from product sales		258,998	245,324
Payments to suppliers and employees		(3,451,705)	(1,476,958)
Interest received		7,937	3
Government grants and subsidies		51,419	37,381
Net cash outflow from operating activities		(3,133,351)	(1,194,250)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,771,961)	(57,769)
Net cash outflow from investing activities		(1,771,961)	(57,769)
Cash flows from financing activities			
Loan interest paid		(386,066)	(44,497)
Repayment of Borrowings		(2,818,000)	(247,009)
Proceeds from Borrowings		2,819,000	1,664,020
Equity transaction fees		(554,226)	-
Issue of shares		22,000,000	50,081
Net cash inflow from financing activities		21,060,708	1,422,595
Net increase/(decrease) in cash held		16,155,396	170,576
Cash and cash equivalents at the beginning of the period		2,020,295	(26,355)
Cash and cash equivalents at the end of the period	5	18,175,691	144,221

The accompanying notes form part of these financial statements

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

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 2020 include the Company itself.

b) Statement of compliance

These half year consolidated 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 condensed 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 2020 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 2020 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 2020, with the exception of the below:

Determination of date of reclassification to mine development expenditure

During the period, 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.

In particular, pursuant to the making of a judgement that exploration and evaluation expenditure attributable to the Wickepin area of interest met the criteria for reclassification to mine development expenditure on 26 November 2020, the attributable balance of exploration and evaluation expenditure proposed to be so reclassified was tested for impairment at the date of reclassification by reference to value-in-use calculations performed using a life-of-mine model of the Wickepin mine incorporating key assumptions such as kaolin market prices, any premia obtainable over spot market prices, mining rates, ore grades, plant processing recoveries and efficiencies, exchange rates, staffing levels and equipment operating efficiencies, among others. The formulation of these key assumptions involved the use by the Directors of judgements as to current and expected general macro-economic conditions and expected conditions in the kaolin mining industry

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

as well as factors specific to the Wickepin mine such as mineral resources and reserves estimates and ore grades.

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 2020, the gross asset base of the Company directly attributable to the Wickepin mine amounted to \$3,523,818 (31 December 2019: \$Nil). The Directors do not believe that there is any necessity to impair the carrying value of that asset base at 31 December 2020.

In the case of impairment of mineral exploration and evaluation, AASB 6 Exploration for and Evaluation of Mineral Resources requires an assessment of recoverable amount to be completed whenever facts and circumstance suggest that the carrying amount of an exploration asset may exceed its recoverable amount. Recoverable amount is defined within AASB 136 Impairment of Assets as the higher of fair value less costs to sell and value-in-use. Value-in-use is determined on a pre-tax basis and is the present value of the future cash flows expected to be derived from the asset or cash-generating unit.

At 31 December 2020, the Company had capitalised mineral exploration and evaluation expenditure of \$Nil (31 December 2019: \$1,756,132). The Directors do not believe any indications of impairment are present.

f) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2020

In the half-year ended 31 December 2020, 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 2020. 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 2020. 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.

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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2020

NOTE 2: REVENUE AND EXPENSES

	31 December 2020	31 December 2019
	\$	\$
(a) Other income		
R&D Tax refund	-	29,953
Cashflow Boost from COVID-19	50,000	-
Other income	1,426	11,444
	<u>51,426</u>	<u>41,397</u>
(b) Expenses		
Profit before income tax includes the following specific expenses:		
<i>Rental expenses and outgoings</i>		
Property rental	10,400	22,102
Landowner's payments	60,805	38,103
Tenement rentals	16,822	13,370
Tenement rates	28,381	28,860
Total rental expenses and outgoings	<u>116,408</u>	<u>102,435</u>
<i>Employee benefits expense</i>		
Directors' fees	99,000	36,000
Salaries and wages	324,119	229,684
Superannuation	39,950	23,704
Leave entitlements	(20,082)	13,740
Total employee benefits expenses	<u>442,987</u>	<u>303,128</u>
<i>Depreciation</i>		
Plant & equipment	35,747	11,532
Leasehold improvements	3,960	3,961
Motor vehicles	11,722	11,636
Total depreciation	<u>51,429</u>	<u>27,129</u>

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

NOTE 2: REVENUE AND EXPENSES (continued)

Other expenses

Accounting and administration fees	37,615	40,542
Capital raising fees	166,140	-
Consulting fees / fees associated with listing	2,114,220	678,023
Insurance	87,565	28,788
Research & development costs	10,457	39,264
ASX filing fees	126,516	-
Legal fees	382,359	2,881
Other	167,923	51,206
	<u>3,092,795</u>	<u>840,704</u>

Finance costs

Interest and finance charges paid/payable on borrowings	1,562,294	987,315
Fair value adjustment on convertible notes	8,916,984	-
	<u>10,479,278</u>	<u>987,315</u>

Share-based payments

Fair value of Incentive Options granted to directors and employees	<u>4,050,182</u>	<u>-</u>
--	------------------	----------

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

NOTE 3: CASH AND CASH EQUIVALENTS

	31 December 2020	30 June 2020
	\$	\$
Cash at bank and on hand	18,175,691	2,020,295

NOTE 4: CURRENT TRADE AND OTHER RECEIVABLES

	31 December 2020	30 June 2020
	\$	\$
Other receivables	254,215	115,501
Allowance for impairment	-	-
	254,215	115,501
Sundry debtors	743	745
Deposits paid	11,280	100,000
Other receivable – GST (net)	306,404	40,960
	318,427	141,705
Total trade and other receivables	572,642	257,206

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

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Half year ended 31 December 2020				
At 1 July 2020, net of accumulated depreciation and impairment	160,573	33,473	3,649,856	3,843,902
Additions	4,276	-	-	4,276
Disposals	-	-	-	-
Depreciation charge for the year	(35,747)	(3,960)	(11,722)	(51,429)
At 31 December 2020, net of accumulated depreciation and impairment	129,102	29,513	3,638,134	3,796,749
At 31 December 2020				
Cost or fair value	8,534,272	65,277	3,963,881	12,563,430
Accumulated depreciation and impairment	(8,405,170)	(35,764)	(325,747)	(8,766,681)
Net carrying amount	129,102	29,513	3,638,134	3,796,749

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

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Year ended 30 June 2020				
At 1 July 2019, net of accumulated depreciation and impairment	30,099	41,352	4,897,230	4,968,681
Additions	158,539	-	6,800	165,339
Revaluation	-	-	(1,231,000)	(1,231,000)
Depreciation charge for the year	(28,065)	(7,879)	(23,174)	(59,118)
At 30 June 2020, net of accumulated depreciation and impairment	160,573	33,473	3,649,856	3,843,902
At 30 June 2020				
Cost or fair value	8,529,996	65,277	3,963,881	12,559,154
Accumulated depreciation and impairment	(8,369,423)	(31,804)	(314,025)	(8,715,252)
Net carrying amount	160,573	33,473	3,649,856	3,843,902

The useful life of the assets was estimated as follows for both 2020 and 2019:

- 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 2020

NOTE 6: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020	30 June 2020
	\$	\$
Exploration and evaluation costs	1,752,251	1,752,251
Formation costs	3,881	3,881
Reclassify to mine development expenditure	(1,756,132)	-
	<u>-</u>	<u>1,756,132</u>

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 2020	30 June 2020
	\$	\$
Balance at beginning of period	-	-
Reclassified from deferred exploration and evaluation expenditure	1,756,132	-
Wickepin plant project	1,767,686	-
Total mine development expenditure	<u>3,523,818</u>	<u>-</u>

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2020	30 June 2020
	\$	\$
Current		
Trade payables	2,568,900	2,506,344
Accruals	-	21,832
Other employment-related payables	42,831	20,065
	<u>2,611,731</u>	<u>2,548,241</u>

NOTE 9: BORROWINGS

	31 December 2020	30 June 2020
	\$	\$
Current		
Loans from related parties	670,000	3,788,000
Loans from other parties	51,512	252,000
Convertible notes – interest (i)	132,733	5,115,327
	<u>854,245</u>	<u>9,155,327</u>

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

NOTE 9: BORROWINGS (continued)

Non-current

Loans from related parties	18,300,757	16,702,686
Loans from other parties	-	1,007,557
	<u>18,300,757</u>	<u>17,710,243</u>

Total borrowings

19,155,002 26,865,570

	31 December 2020	30 June 2020
	\$	\$
(i) Convertible Notes		
Opening balance	5,115,327	-
Notes issued	3,769,000	3,832,500
Interest accrued	235,656	46,153
Interest paid	(149,076)	-
Fair value adjustment / financing cost	8,916,984	1,236,674
Amounts converted to share capital / transferred to reserves	(10,556,924)	-
Amounts transferred to reserves	(7,198,234)	-
At period end	<u>132,733</u>	<u>5,115,327</u>

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

NOTE 10 CAPITAL AND RESERVES

	31 December 2020		30 June 2020	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital	282,821,885	33,614,901	150,000,000	3,070,081
(b) Movements in ordinary share capital				
	Half year to 31 December 2020		Year to 30 June 2020	
	Number of shares	\$	Number of shares	\$
Balance at beginning of financial period	150,000,000	3,070,081	26,065,000	3,020,000
	(25,000,000)			
Share consolidation (0.8333:1) on 13 July 2020	125,000,000	3,070,081	-	-
Issue of shares to third parties	157,821,885	31,564,378	3,964,203	39,642
Exercise of options by employees	-	-	750,000	10,439
Capital raising costs	-	(1,019,558)	-	-
Balance at end of financial period	282,821,885	33,614,901	30,779,203	3,070,081
	-	-	119,229,797	-
Share division (4.873:1) on 5 September 2019	-	-	150,000,000	3,070,081

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 period ended 31 December 2020, 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 2020**

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%

Whilst the above milestones are possible, they are not probable so no expense has been recognised during the half year.

(d) Movements in unlisted options

	Half year to 31 December 2020		Year to 30 June 2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Balance at beginning of financial period	-	-	\$0.01	750,000
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	\$0.01	(750,000)
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	-	-

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

NOTE 10: CAPITAL AND RESERVES (continued)

(d) Movements in unlisted options (continued)

During the period ended 31 December 2020, 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 period ended 31 December 2020 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	31 December 2020
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 2020, the Company has made various commitments in the sum of \$4.4m (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 2020 (30 June 2020: Nil).

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 2020 (30 June 2020: Nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020****NOTE 12: EVENTS AFTER THE REPORTING PERIOD**

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 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is still unfolding and continues to be 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 2020 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 2020, the Company paid (i) outstanding director fees and superannuation of \$111,636, (ii) salary and superannuation of \$13,200 to a part-time sales executive, who is the daughter of an executive director and (iii) consulting fees of \$91,800 (ex GST) for services rendered by the Company's executive director.

As outlined in the Company's prospectus dated 11 October 2020, the Company repaid loans of \$1,076,000 during the period to companies associated with the Company's executive director.

Finally, 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.

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 2020 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 16 March 2021

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 2020, 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 2020 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 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 2020 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, 16 March 2021