

28 February 2023

Shannon Nicholson
Principal Adviser, Listings Compliance
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

By Email: Shannon.Nicholson@asx.com.au

Dear Ms Nicholson

WALKABOUT RESOURCES LTD - APPENDIX 5B AND FINANCIAL CONDITION QUERY

Walkabout Resources Ltd (**Walkabout** or the **Company**) refers to your letter dated 20 February 2023. The Company provides the following responses to your questions.

1. Does WKT expect that it will continue to have the level of net operating cash flows as disclosed in the December Appendix 5B? In answering this question, please provide more specific details regarding:

- 1.1. the current status of the potential further funding routes; and

As noted in the Company's quarterly report, cash operating outflows during the quarter primarily pertained to the payment of creditors from prior quarters. This was outlined in the intended use of funds in the Company's "Rights Issue Completion and Resumption of Share Trading" announcement dated 30 November 2022 (Reinstatement Announcement) and is not indicative of a normal quarter's expenditure. The Company expects cash operating outflows in the current and future quarters to be significantly reduced compared to the December quarter and in line with the guidance provided in the Reinstatement Announcement.

As noted in the Reinstatement Announcement, the Company's expenditure (other than creditor repayments), have been set commensurate to the level of cash and cash inflows available or reasonably expected to be available. The Company notes that since the end of the previous quarter the group has received the return of a deposit with a contractor of USD \$500,000 and a VAT refund from the Tanzanian Revenue Authority of USD \$210,000.

During the current quarter, the Company has advanced a number of funding routes:

- A. As announced to the market on 27 February 2023, the Company has entered into a US\$10m subscription facility with Battery Metals Capital Group, LLC as a standby facility;
- B. As also announced on 28 February 2023, the Company has entered into a US\$1.4m payment deferral with its earth moving/civils contractor, TNR Limited;
- C. As announced on 20 February 2023, Jinpeng has proposed the issue of shares for the remaining obligations under the EPC contract. The Company has sent Jinpeng a counter-proposal and is awaiting a response;
- D. The Company is finalising a bridging loan with a number of its directors, with an announcement expected to be made shortly. This bridging loan will allow further construction activities to be undertaken which are additional to those committed to in the Reinstatement Announcement;

- E. As announced to the market on 27 February 2023, the Company has successfully procured CRDB's release of the security held by the bank for the purposes of potentially completing transactions under F or G below;
- F. The Company has received 3 term sheets for project funding, with negotiations ongoing; and
- G. The Company is awaiting 3 other term sheets for project funding from counter-parties that are under advanced negotiation. These additional term sheets are expected to be received within 2 weeks.

1.2. How likely WKT believes it is that it will be successful in raising further funds?

As noted above the Company has completed multiple funding arrangements with further negotiations ongoing. As such the Directors of WKT have high confidence that it will be successful in raising further funds, as required.

2. The December Appendix 5B confirms that as at 31 December 2022 (the same month as its Reinstatement), WKT is funded for a further 0.2 quarters. In light of this, please explain the factors that gave WKT a reasonable basis to confirm in the Reinstatement Announcement and the Statement of Confirmations on 30 November 2022 that, at the time of Reinstatement, WKT will be funded for at least 12 months, noting this confirmation was required in order to satisfy an ASX imposed condition regarding WKT's reinstatement.

Please refer to the response to Question 1.1 above, which notes that the December quarter cash outflows are not representative of the anticipated cash outflows in the current or future quarters. The Company confirms that it has followed the use of funds disclosed in the Reinstatement Announcement which will allow the Company to be funded for at least 12 months. For further information in relation to the Company's activities please refer to question 5 below.

3. Please confirm the factors that gave WKT a reasonable basis to confirm that its Board believes that the funds raised from the Entitlement Offer, combined with existing funds, would provide WKT with sufficient working capital at anticipated expenditure levels to carry out the business activities proposed in the Reinstatement Announcement.

As noted at the time of reinstatement, the Entitlement Offer provided sufficient funds to pay creditors in full, undertake project advancement as described in the Reinstatement Announcement and provide sufficient working capital for at least 12 months. The further financing arrangements (referred to in response to question 1.1 above) have provided a basis for the Company to expand site construction activities in addition to the activities described in the Reinstatement Announcement.

The Company's arrangements with Jinpeng and TNR have resulted in reductions in contract value, deferred payments and the potential conversion of debt to equity. These contractors represent more than two-thirds of the remaining construction spending required. Similarly, finalising the BMCG facility and the ongoing negotiations on other funding routes has only increased the Company's confidence that it has sufficient working capital at anticipated expenditure levels to carry out the business activities proposed.

4. Please explain in detail what steps WKT propose to take to ensure it has sufficient working capital to achieve its objectives.

Please refer to the response to question 1.1 above.

5. Does WKT consider that its use of funds since Reinstatement has been in accordance with the business activities described in the Reinstatement Announcement? Please provide specific details with reference to the Reinstatement Announcement.

Yes, the Company considers that its use of funds since reinstatement has been in accordance with the business activities described in the Reinstatement Announcement. Please refer to the table below for a comparison of proposed and actual use of funds:

Use of Funds	Reinstatement (millions AUD)	Actual 2Q (millions AUD)
Lindi Jumbo Project Creditors	12.497	10.56
Shareholder loans for project	0	2
Total	12.497	12.56
Offer Expenses	0.865	1.15
LJ Working Capital	1.76	0.81
Treasury Funds	1.478	0.7
Total	16.6	15.22

The Company notes that it also had net cash inflows for the quarter of \$1.4m together with an opening cash balance of approximately \$900K for the quarter which resulted in cash at the end of the December quarter of approximately \$2.3m. This will continue to fund the Lindi Jumbo working capital and treasury funds allocated in the use of funds and is in line with the activities outlined in the reinstatement submission for the 12 months. As noted in response to question 1.1 the Company's further financing arrangements will also now allow for further project spending beyond the activities disclosed in the Reinstatement Announcement.

Please also refer to the below table which provides an update on the status of activities noted in the Reinstatement Announcement:

Activity	Status
Concrete works and civils within the processing plant and TSF areas	Work has continued without interruption.
Mechanical construction and installation of the majority of the equipment already on site	Progressing.
Mechanical completion of front-end from ROM bin to concentrator building (Conveyor systems, primary and tertiary crushers and fine ore bin as well as associated smaller equipment (belt feeders, belting, screens etc.))	Awaiting arrival of shipment which is underway to Tanzania (minor steelworks needed).
Assembly and installation of various steel tanks (platework on site)	Mechanical assembly of the water make-up tank completed and conditioning tank in position.
Assembly and installation of mills (rod and pebble)	Installed on the concrete plinths in late December.

Installation of classifiers	Awaiting arrival of shipment which is underway to Tanzania (minor steelworks needed) and completion of concrete.
Installation of banks of floatation cells	Awaiting arrival of shipment which is underway to Tanzania (minor steelworks needed) and completion of concrete.
Completion of thickener and associated infrastructure	Mechanical assembly completed.

6. Does WKT consider that its financial condition is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:

The Directors confirm that WKT's financial condition is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2.

6.1. the December Cash Outflow

Please refer to the responses to questions 1.1 and 5.

6.2. the December Cash Balance

Please refer to the responses to questions 1.1 and 5.

6.3. WKT's quarters funded as at 31 December 2022 being 0.2.

Please refer to the responses to questions 1.1 and 5.

7. If the answer to question 6 is "No", please explain what steps WKT has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.

Not applicable.

8. Do the directors of WKT consider that WKT is a going concern?

Yes, the Directors confirm that WKT is a going concern.

9. If the answer to question 8 is "Yes", please explain the basis for this conclusion.

The Directors confirm that the Company continues to meet all its debts as and when they fall due.

The Company is continuing to actively construct the Lindi Jumbo graphite mine in Tanzania. The Company is of the view that it has sufficient cash resources or access to further funding to complete construction of the mine.

10. If the answer to question 8 is "No", on what basis does WKT consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?

Not applicable.

11. Please confirm that WKT is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

The Directors confirm that Company is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

12. Please confirm that WKT's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of WKT with delegated authority from the board to respond to ASX on disclosure matters.

The Directors confirm that the responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

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20 February 2023

Reference: 68462

Mr Shaun Menezes
Company Secretary
Walkabout Resources Ltd

By email: shaunm@wkt.com.au

Dear Mr Menezes

Walkabout Resources Limited ('WKT'): Appendix 5B and financial condition - Query

ASX refers to the following:

A. The voluntary suspension of WKT's securities from official quotation on 2 June 2022, requested by WKT pending an announcement regarding the drawdown of the CRDB project debt.

B. ASX Listing Rule 12.2, which provides as follows:

An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

C. WKT's non-renounceable entitlement offer offered pursuant to its prospectus dated 24 August 2022 (as amended by supplementary prospectus dated 8 September 2022) ('Entitlement Offer').

D. WKT's announcement titled "Rights Issue Completion and Resumption of Share Trading" released on the ASX Market Announcements Platform ('MAP') on 30 November 2022 ('Reinstatement Announcement') prior to the reinstatement of WKT's securities to official quotation, which included details regarding the use of the Entitlement Offer funds. The announcement included, but was not limited to, the following statements (emphasis added):

*"As articulated in the Entitlement Issue offer documents, the net proceeds raised under Entitlement Issue will be used to firstly settle outstanding amounts owing to contractors and suppliers for the equipment and services they have provided over the past few months. After a detailed analysis of the funds raised by the Offer and the status of other funding activities, the Company has decided that suspension of construction at Lindi Jumbo is not required and determined that the Company has sufficient funding to continue construction of the project, albeit on a modified basis (described below). The Company intends to use a portion of the remaining funds from the Entitlement Issue to provide working capital in Tanzania to cover general corporate and overhead costs in country as well as expenditure to further advance the project and allow Lindi Jumbo as far as possible to continue to erect the remaining equipment already delivered to site (representing approximately 65% of the processing plant equipment). In addition funds received from the Entitlement Issue will be used for WKT Corporate Treasury Funds including salaries, project management, audit, insurance, taxes, rent, IT, consultants, marketing, compliance costs, rent and general office overheads. Lindi Jumbo ("LJ") working capital includes amongst costs rents, salaries & wages (construction & administrative), transport, hire of specialised construction equipment, accounting, IT, insurances, taxes, consumables, general office and site overheads. **The Company confirms that, at the time of reinstatement, it will be funded for at least 12 months to undertake the activities noted above.***

Table 1: Use of Funds with Funds Raised

USE OF FUNDS	A\$m
LJ Project Creditors	12.497
Offer Expenses	0.865
LJ Working Capital	1.760
Corporate Treasury Funds	1.478
Total	16.600

As \$2m in cash has already been received by the company by way of shareholder debt, some of those funds have been used in making payments to creditors (thereby reducing the amount owing above) in order to keep construction progressing. The remaining debt funds are available to be used in accordance with Table 1.

The following equipment has been delivered to site to date:

Equipment	Status
Jaw & Cone Crushers	Mechanical installation complete
Vibrating Grizzly	Awaiting installation
Apron Feeders	Mechanical installation partially complete
Belt Feeders	Mechanical installation partially complete
Conveyor Belts	Mechanical installation complete with belts to be installed closer to commissioning
Rod Mill	Awaiting installation
Pebble Mill	Awaiting installation
Classifiers	Awaiting installation
Floatation Cells	Awaiting installation
Conditioning Tank	Awaiting installation
Diaphragm Filter Presses	Awaiting installation
Fine ore bin	Mechanical installation complete
Thickener	Mechanical installation complete

The Company confirms that the equipment noted above will be installed using the funds raised from the Entitlement Issue.”

“The Company confirms that with the funds raised activities on site are likely to include but not be restricted to:

- Concrete works and civils within the processing plant and TSF areas.*
- Mechanical construction and installation of the majority of the equipment already on site;*
- Mechanical completion of front-end from ROM bin to concentrator building (Conveyor systems, primary and tertiary crushers and fine ore bin as well as associated smaller equipment (belt feeders, belting, screens etc.);*
- Assembly and installation of various steel tanks (platework on site);*
- Assembly and installation of mills (rod and pebble);*
- Installation of classifiers;*
- Installation of banks of floatation cells;*
- Completion of thickener and associated infrastructure;”*

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- E. ASX's letter to WKT dated 2 November 2022 setting out its conditions for reinstatement to official quotation, including that:
- i. WKT must demonstrate compliance with Listing Rule 12.2 to the satisfaction of ASX, including providing a 'working capital statement' similar to that required by Listing Rule 1.3.3(a) to the effect that following completion of the Entitlement Offer, WKT will have sufficient working capital at the time of its reinstatement to carry out its objectives (being the objectives detailed in the Reinstatement Announcement); and
 - ii. WKT must demonstrate, at the time of reinstatement, that it will be funded for at least 12 months.
- F. WKT's announcement titled "Statement of Confirmations" released on MAP on 30 November 2022 ('Statement of Confirmations') prior to WKT's reinstatement, which stated as follows.
- In paragraph 4:
- The Company confirms that, at the time of reinstatement, it will be funded for at least 12 months.*
- In paragraph 5:
- The Board confirms that it believes that the funds raised from the Entitlement Offer, combined with existing funds, will provide the Company with sufficient working capital at anticipated expenditure levels to carry out its proposed business activities.*
- G. The reinstatement of WKT's securities to official quotation at the commencement of trading on 1 December 2022 following completion of a capital raising and satisfaction of ASX's conditions for reinstatement ('Reinstatement').
- H. WKT's Appendix 5B quarterly cashflow report for the quarter ended 31 December 2022 ('December Appendix 5B') released on MAP on 31 January 2023, which disclosed the following, among other things:
- i. WKT's net cash used in operating activities for the quarter ended 31 December 2022 was \$11,900,000 ('December Cash Outflow').
 - ii. WKT's cash and cash equivalents as at 31 December 2022 was \$2,366,000 ('December Cash Balance').
 - iii. WKT estimated that it had 0.2 quarters of funding available as at 31 December 2023.
 - iv. WKT does expect that it will continue to have the level of net operating cash flows as at 31 December 2022 because:
 - a. WKT is advancing further potential funding routes including but not limited to an equity placement, debt (including CRDB debt drawdown) and/or product prepayment; and
 - b. net cash used in operating activities for the quarter ending 31 December 2022 is significantly higher than the expenditure expected in the next 1-2 quarters as it represented the payment of some larger outstanding creditors from previous periods.
 - v. The further funding routes noted above are advancing and the Company is confident in raising the required funds during the next quarter to fund operations.
 - vi. The Company expects to be able to continue its operations and meet its business objectives on the basis of the current cash balance and funding activities currently being undertaken.
- I. WKT's announcement titled "Shipping of Equipment Resumes From China" released on MAP on 6 February 2023 which states, amongst other things, the following:
- i. the latest batch of equipment for the ongoing erection of the processing plant has resumed from China;

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- ii. equipment en route to Tanzania will allow for the near completion of the mechanical installation of the front-end of the processing plant (crushing, milling and concentration circuits);
 - iii. Jinpeng, the EPC contractor for the Lindi Jumbo graphite mine, has agreed to defer payment for the contractual milestone payment triggered by this shipment until full construction funding is in place;
 - iv. once received, the shipment will allow further significant site works to erect the bulk of the remaining equipment at Lindi Jumbo while the civils work continue in preparation of the delivery of the remainder of the equipment.

Request for information

In light of WKT's disclosures in its Reinstatement Announcement, Statement of Confirmations and December Appendix 5B, ASX asks WKT to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does WKT expect that it will continue to have the level of net operating cash flows as disclosed in the December Appendix 5B? In answering this question, please provide more specific details regarding:
 - 1.1 the current status of the potential further funding routes; and
 - 1.2 how likely WKT believes it is that it will be successful in raising further funds?
2. The December Appendix 5B confirms that as at 31 December 2022 (the same month as its Reinstatement), WKT is funded for a further 0.2 quarters. In light of this, please explain the factors that gave WKT a reasonable basis to confirm in the Reinstatement Announcement and the Statement of Confirmations on 30 November 2022 that, at the time of Reinstatement, WKT will be funded for at least 12 months, noting this confirmation was required in order to satisfy an ASX imposed condition regarding WKT's reinstatement.
3. Please confirm the factors that gave WKT a reasonable basis to confirm that its Board believes that the funds raised from the Entitlement Offer, combined with existing funds, would provide WKT with sufficient working capital at anticipated expenditure levels to carry out the business activities proposed in the Reinstatement Announcement.
4. Please explain in detail what steps WKT propose to take to ensure it has sufficient working capital to achieve its objectives.
5. Does WKT consider that its use of funds since Reinstatement has been in accordance with the business activities described in the Reinstatement Announcement? Please provide specific details with reference to the Reinstatement Announcement.
6. Does WKT consider that its financial condition is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:
 - 6.1 the December Cash Outflow;
 - 6.2 the December Cash Balance; and
 - 6.3 WKT's quarters funded as at 31 December 2022 being 0.2.
7. If the answer to question 6 is "No", please explain what steps WKT has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.
8. Do the directors of WKT consider that WKT is a going concern?
9. If the answer to question 8 is "Yes", please explain the basis for this conclusion.

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10. If the answer to question 8 is “No”, on what basis does WKT consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?
11. Please confirm that WKT is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
12. Please confirm that WKT’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of WKT with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AWST Thursday, 23 February 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, WKT’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Suspension

If you are unable to respond to this letter by the time specified above or if ASX does not consider your responses to be satisfactory, the suspension of trading in WKT’s securities will likely continue under Listing Rule 17.2 or 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to WKT’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that WKT’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Shannon Nicholson
Principal Adviser, Listings Compliance