

# Westwater Resources Announces Q3 2023 Business and Financial Updates

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Westwater Announces an Anticipated 33% Increase in Phase I Production to 10,000 MT Annually While Maintaining the Existing Budget

[Westwater Resources Inc.](#) (NYSE American: WWR), an energy technology and battery-grade natural graphite development company ("Westwater" or the "Company"), is pleased to announce its third quarter results for the quarter ended September 30, 2023, and to provide business and financial updates.

## Anticipated 33% Increase in Phase I Planned Production

During the third quarter of 2023, Westwater completed a debottlenecking study with its third-party engineering firm resulting in design changes that are expected to result in an anticipated 33% increase in coated spherical purified graphite ("CSPG") production for Phase I of the Kellyton Graphite Processing Plant ("Kellyton Plant"). As a result of the study, Westwater now expects to produce 10,000 MT of CSPG annually in Phase I while still remaining within its existing Phase I cost estimate of \$271 million. "Increasing expected CSPG production by 33%, while maintaining our estimated budget, is another significant step in improving the economics of the Kellyton Plant," said Frank Bakker, Westwater's President and CEO. "Customer engagement and market demand for domestic CSPG remains strong, and we believe moving to 10,000 MT in response to this market demand enhances Westwater's position as a domestic source of CSPG."

## China to Curb Export of Graphite Products

In October, China announced a new set of export restrictions on certain graphite products beginning December 1, 2023. Chinese exporters will be required to apply for permits to ship two types of graphite material, including "high-purity, high-hardness and high-intensity synthetic graphite material and natural flake graphite and its products." Nearly 100% of the battery-grade natural graphite materials produced today involve some amount of processing in China. Westwater believes these new export restrictions could increase prices of Chinese graphite materials and could disrupt the global production of electric vehicle ("EV") batteries.

"This recent announcement by China further exposes the need for the United States to establish a reliable battery-grade supply chain," said Terence J. Cryan, Westwater's Executive Chairman. "With the Kellyton Plant, Westwater is committed to leading the domestic solution for a reliable supply of battery-grade graphite materials for the EV market."

## Customer Engagement

As previously announced, Westwater has a Joint Development Agreement ("JDA") with SK On, a leading EV battery manufacturer. SK On has provided testing feedback for samples produced by Westwater under the JDA. If a supply agreement is executed between the parties, the Company anticipates it would then supply a mass production sample to SK On as part of its formal qualification process.

Additionally, Westwater has signed general terms and conditions for a supply agreement with a North American automobile manufacturing company and is negotiating a possible offtake agreement with this company for potentially all of Westwater's Phase I and Phase II production capacity.

Westwater continues to engage with other potential customers who have tested samples of CSPG produced by the Company. Feedback from certain potential customers indicates that Westwater's material meets their

initial specifications. Westwater is continuing to provide additional samples to these potential customers and current counterparty interest indicates that Westwater's Phase I and Phase II production capacity may be subject to commercial contracts in 2023 or 2024.

Jon Jacobs, Westwater's Chief Commercial Officer added, "Westwater expects to benefit from the combination of three trade policies that all positively affect our U.S.-produced graphite value proposition: the IRA, section 301 tariffs, and the newly-announced China export restrictions on graphite. Together, we believe these policies create financial motivation for U.S.-based cell makers to source graphite domestically. Westwater is working to fulfill that need."

#### Construction Progress at the Kellyton Plant

During the third quarter of 2023, Westwater continued construction activities at the Kellyton Plant, including the receipt of additional long-lead equipment components, completing the construction of five of six primary plant buildings, and installation of overhead cranes ahead of equipment installation. As of the date of this press release, Westwater has constructed and is currently operating its research and development laboratory ("R&D Lab"). The R&D Lab allows Westwater to continue product development and optimization under the JDA with SK On and other potential customers, and to perform additional quality control tests. It also affords greater flexibility to optimize future samples in accordance with customer specifications. Further, in August, Westwater began installing micronizers, shaping mills and steel in its shaping building.

While construction has continued during the quarter, Westwater has reduced the level of construction activities from anticipated levels, including adjusting the timing of future work, until off-take and financing agreements are secured. Reducing the level of construction activity until financing is secured is expected to impact the overall construction schedule of Phase I of the Kellyton Plant. Westwater expects to provide an update to investors regarding the construction timeline of the Kellyton Plant when, and if, the requisite financing is secured.

#### Coosa Graphite Deposit Update

During the third quarter, Westwater continued its third-party consultant's work on the preliminary economic assessment ("PEA") for the Coosa Graphite Deposit. The PEA will expand on the Technical Report Summary ("TRS") that was prepared as an initial assessment in accordance with S-K 1300 and filed with the SEC on Form 8-K on December 6, 2022. The PEA will include an economic assessment based on the TRS and an initial mine plan. Westwater still expects to complete and disclose the results of the PEA in the fourth quarter of 2023.

Upon completion of the PEA, Westwater anticipates commencing a strategic financing review process for the Coosa Graphite Deposit. This strategic financing review process will seek to identify financial investment sources and partners for the Coosa Graphite Deposit and may include review of strategic investment partners or other strategic transactions.

#### Construction Financing Update

Westwater continues its efforts to secure financing to fund the balance of the estimated capital requirements for Phase I of the Kellyton Plant. "We are still engaged with third parties interested in funding our project, and we believe that finalizing an offtake agreement for the sale of CSPG from the Kellyton Plant is critical to securing and closing a financing transaction," said Steve Cates, Westwater's Chief Financial Officer and SVP - Finance.

As of September 30, 2023, Westwater had a cash balance of \$11.7 million and has incurred approximately \$116.7 million since beginning construction of the Kellyton Plant.

#### Financial Summary

(\$ in thousands, Except Share and Per Share Amounts)



Q3 2022

Variance



Net Cash Used in Operations*	\$12,187	\$(8,589)	42%
Net Cash Used in Investing Activities*	\$(55,292)	\$(31,968)	73%
Net Cash Provided by Financing Activities*	\$4,019	\$25,572	(84%)
Product Development Expenses	\$(979)	\$(257)	281%
General and Administrative Expenses	\$(2,499)	\$(2,611)	(4%)
Net Loss	\$(3,522)	\$(3,453)	2%
Net Loss Per Share	\$(0.07)	\$(0.07)	-%
Avg. Weighted Shares Outstanding	52,989,857	47,462,656	12%

\* Presented on a year-to-date basis.

- Net cash used in operations increased \$3.6 million during the nine months ended September 30, 2023, compared to the same period in 2022 due to an increase in other long-term assets of \$2.9 million primarily related to purchases of raw material inventory, and higher product development expenses of \$1.8 million. These increases were partially offset by other income (expense) of \$1.3 million resulting from higher interest income earned on the Company's cash balance and less foreign exchange loss during the period.
- Net cash used in investing activities increased \$23.3 million during the nine months ended September 30, 2023, compared to the same period in 2022. The increase in investing cash outflows is due to continued construction of the initial phase of the Kellyton Plant. The capital expenditures in the first nine months of 2023 included equipment and component purchases, engineering costs, erection of five processing buildings and installation of overhead cranes within certain buildings ahead of equipment installation. The Company also continued engineering related to the Phase I optimization and construction of the R&D Lab, which is currently in operation. During the same period in 2022, activity included earthwork and site grading, which was completed in July 2022, progress payments related to long-lead equipment items, work on underground utilities and foundations, and detailed design engineering and project management activities.
- Net cash provided by financing activities decreased \$21.6 million during the nine months ended September 30, 2023, compared to the same period in 2022, due to lower sales of shares under our equity financing facilities.
- Product development expenses for the third quarter of 2023 increased by \$0.7 million compared to the same period in 2022. The increase in Product development expenses primarily relates to additional sample production for potential customers and work being performed under the JDA with SK On. We expect to continue to incur product development expenses as customers request additional samples, and in some cases larger samples, as we work to contract our planned CSPG production from Phase I of the Kellyton Plant.
- General and administrative expenses decreased \$0.1 million during the third quarter of 2023, compared to the same period in 2022, due a reduction in personnel and overhead costs.
- Consolidated net loss was \$3.5 million, or \$0.07 per share, as compared with a net loss of \$3.5 million, or \$0.07 per share for the same period in 2022. The Company's net loss position remained flat despite higher costs related to product development; offset by less foreign exchange loss during the period.
- Cash and working capital as of September 30, 2023, were \$11.7 million and \$3.2 million, respectively, compared to \$75.2 million and \$51.0 million as of December 31, 2022. The decrease in cash was primarily due to capital expenditures of \$55.3 million and cash used in operations of \$12.2 million; partially offset by cash provided from financing activities. The decrease in working capital was due primarily to cash spend during the first nine months of 2023; partially offset by lower current liabilities as of September 30, 2023, compared to December 31, 2022.

#### Live Conference Call

Management will host a conference call to provide a business update to investors on December 14, 2023. Conference call information related to this business update will be announced ahead of the call.

#### About Westwater Resources, Inc.

Westwater Resources Inc. (NYSE American: WWR), an energy technology company, is focused on developing battery-grade natural graphite. The Company's primary project is the Kellyton Plant that is under construction in east-central Alabama. In addition, the Company's Coosa Graphite Deposit is the most advanced natural flake graphite deposit in the contiguous United States and located across 41,965 acres (~17,000 hectares) in Coosa County, Alabama. For more information, visit [www.westwaterresources.net](http://www.westwaterresources.net).

#### Cautionary Statement Regarding Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as "expects," "estimates," "planned," "projects," "anticipates," "believes," "could," "scheduled," "targets" and other similar words. Forward looking statements include, among other things, statements concerning the JDA and future agreements with SK On, possible offtake agreements, as well as the potential debt financing, the construction and operation of the Company's Kellyton Plant, the Company's Coosa Graphite Deposit and its PEA, and the costs, schedules, production and economic projections associated with them. The Company cautions that there are factors that could cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to uncertainties and other factors, many of which are outside the control of the Company; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in Westwater's Annual Report on Form 10-K for the year ended December 31, 2022, and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: (a) our ability to finance growth plans and raise debt or equity capital; (b) the spot price and long-term contract price of graphite (both flake graphite feedstock and purified graphite products) and vanadium, and the world-wide supply and demand of graphite and vanadium; (c) the effects, extent and timing of additional competition in the markets in which we operate; (d) the ability to obtain contracts with customers; (e) available sources and transportation of graphite feedstock; (f) the ability to control costs and avoid cost and schedule overruns during the development, construction and operation of the Kellyton graphite processing plant; (g) the ability to construct and operate the Kellyton graphite processing plant in accordance with the requirements of permits and licenses and the requirements of tax credits and other incentives; (h) effects of inflation and rising interest rates; (i) the availability and supply of equipment and materials needed to construct the Kellyton graphite processing plant; (j) stock price volatility; (k) government regulation of the mining and manufacturing industries in the United States; (l) unanticipated geological, processing, regulatory and legal or other problems we may encounter; (m) the results of our exploration activities at the Coosa Graphite Deposit, and the possibility that future exploration results may be materially less promising than initial exploration results; (n) any graphite or vanadium discoveries at the Coosa Graphite Deposit not being in high enough concentration to make it economic to extract the metals; (o) currently pending or new litigation or arbitration; (p) our ability to maintain and timely receive mining, manufacturing, and other permits from regulatory agencies; and (q) other factors which are more fully described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the SEC.

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