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ASX Announcement

30 April 2024

WA Kaolin

March 2024 Quarterly Activities Report

Highlights

- **Sales for the March quarter were 2,777 tonnes which generated revenue of $595k**
- **Maintenance and improvement works were carried out into early January. Plant reliability has risen to circa 90%**
- **Mr Sean Hu, CEO of the Company's largest customer, Stanco International, was appointed to the Board as non-executive director on 6 March 2024**
- **Operations under the guidance of the MD and sales and marketing under Mr Andrew Sorensen are completely refocussed including sales efforts throughout Asia to existing and prospective fibreglass and ceramics customers**
- **The classifier plant upgrade due August 2024 will improve yield and production rate and meet fine particle size specification**
- **The final two of seven instalments were made by Century Horse Limited as part of its $7.7m equity investment at a share price of $0.17**
- **WA Kaolin maintains a cash position of $2.0m at 31 March 2024**

WA Kaolin Ltd ("**WA Kaolin**" or the "**Company**") (**ASX: WAK**) is pleased to provide an update on its activities for the March 2024 quarter.

The MD, Mr Alf Baker, has taken a strong lead at WAK's Wickepin operations and similarly Director, Sales & Marketing, Mr Andrew Sorensen has likewise increased intense activity pursuing customers overseas with the sales team. Please refer to the section titled "**Customer Update**" for further details.

Some of the improvements made to the plant during the last shutdown has produced superior plant reliability and yield. Personnel on-site at Wickepin was reduced from 29 to 19, in a conscious effort to contain costs as a result of more efficient operations. Until there is a significant increase in sales, the plant will continue to run one shift, 5 days per week.

Research & Development (R&D) activities to build sales in coarser product applications were as follows:

- Ceramic product development continues at WAK's Kwinana R&D facility in an effort to engineer the products for better plasticity and other critical properties. Meantime, existing ceramic grades have been sent to a Chinese kaolin company and their research centre for full evaluation. Japanese customers successfully blend WAK's kaolin with other clays and additives, but the market at large wants WAK to improve these qualities.
- The effort to develop fine grades for paper coating continued with grinding trials in Henan, China. Results showed that while the particle size was fine enough, the viscosity contribution of the fine product was too high. WAK's wet processing history concluded that a viscosity modification step was necessary and WAK has the plant in place at its Kwinana R&D facility. The next step is for WAK to carry out this step a) on fine samples sent back from Henan, and/or b) ahead of further grinding trials in China.

During the March quarter, the final $1.7m was received in two instalments from a share subscription from the Company's largest customer, Stanco International.

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Wickepin Plant Operations

The commercial plant at Wickepin was designed and constructed based on the pilot facility in Kwinana with two stage classification – Stage 1 to remove coarse sand and Stage 2 to remove the finer sand.

After construction of the commercial plant, the fibreglass sector tightened its specification demanding a finer particle size and dictated a non-standard wet screening test method. WAK's intense tuning efforts have enabled the Company to achieve this finer specification but with considerable yield losses and at a lower production rate.

WAK concluded that a further process solution must be found and subsequently WAK technical staff researched fine mineral classification in Europe, Asia and North America. An order was placed for classifiers from the U.S.A. Independent Western Australian engineering firm, FeCon, was engaged to oversee the engineering and construction of the installation.

The proposed equipment is scheduled to arrive in August 2024 and will be commissioned by the end of September 2024. This will result in improved yield and production rate of fine particle size kaolin.

After some planned maintenance and improvements in December/January, the Wickepin plant achieved a reliability of circa 90% during the March quarter. With finished goods inventory sitting at approximately 3,000 tonnes and sales of only 2,777 tonnes, production was limited to 2,756 tonnes for the quarter in favour of further plant improvements and preparation for the classifiers.

Sales

Table 1. Kaolin Sales

	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024
Kaolin sales (dmt)	1,346	1,532	3,948	2,777
Revenue from sales ($)	$352,712	$366,922	$821,436	$595,103

Customer Update

During the quarter the sales team visited some of China's biggest fiberglass customers in China to understand specific product requirements in order to develop new premium grades for this market, and the feedback from our visit has been positive. Post quarter we received a first order from one of those customers visited.

While in China we visited customers with our agent including those in the paint and ceramics markets. One of the customers visited has equipment to make paper grade kaolin from WAK feedstock and have carried out some tests. Our MD and technical manager are working with them to develop a product for this market, and we will potentially partner with them for supply of paper grade kaolin for China and Asia.

WAK has also re-engaged with an agent who has been a longer-term associate of the company focusing on the paper market in China.

Also, during this quarter, WAK met with a company in China who is producing and selling kaolin to the ceramics market. Following our visit, samples have been sent and preparations made to draft a Memorandum of Understanding for cooperation. Senior management of that company intend to visit Wickepin in the next quarter.

The Company is also processing enquiries, and an initial order for its high-quality ore to companies with facility to convert the ore into finished products, has been placed. WAK sees this opportunity as potentially strongly contributing to revenue in the future.

Corporate

Appointment of Non-Executive Director

As announced on 7 March 2024, Mr Sean Hu, CEO of Stanco International, the Company's largest customer and shareholder (through an associated entity), was appointed as a non-executive director of the Company. Mr Hu has a deep understanding of the business segments related to kaolin in the Asia-Pacific region. Mr Hu is a Certified Public Accountant in the U.S., with an Executive MBA degree from ETH Zurich in Supply Chain Management. He has extensive accounting/audit, finance and corporate governance experience through his previous careers in the banking industry and KPMG USA and Switzerland.

Financial information

WA Kaolin held a cash position of $2.0m at 31 March 2024.

In accordance with Listing Rule 5.3.1, the Company advises that it did not undertake any exploration activities during the quarter ended 31 March 2024.

In accordance with Listing Rule 5.3.2, the Company advises that it spent approximately $1.50m during the quarter on production costs, largely related to ore extraction costs ($0.32m), cost of gas and diesel ($0.73m), and freight costs ($0.3m). A further $0.5m was spent as a development cost on the expansion of the mine to accommodate future mining plans and the extraction of ore.

Note that there are some operating costs that will be applied to R&D and claimed under the R&D Tax Incentive scheme.

In accordance with Listing Rule 5.3.5, $121,267 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: $35,711
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of executive director (per contract of employment as the Company's Territory Sales Executive): $17,859
- Fees paid to the executive director in lieu of salary: $58,333 (per executed consultancy deed)
- Royalties paid to an entity associated with the executive director: $9,363.

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Mining Tenements

In accordance with Listing Rule 5.3.3, the Company advises that it held the following tenements at the end of the quarter:

Tenement	Prospect	Ownership (%)	Change
M70/1143	South West Kaolin	100%	Nil
R70/40	Balgulpinn	100%	Nil
R70/42	Levi	100%	Nil
R70/43	Walters Hill	100%	Nil
R70/44	Doraking	100%	Nil
L70/156	Wickepin	100%	Nil
G70/251	Wickepin	100%	Nil

M – Mining Lease (granted) R – Retention Licence (granted) L – Miscellaneous Licence (granted)

G – General Purpose Lease (granted)

This announcement was authorised for market release by the Board of WA Kaolin Limited.

For further information, please contact:

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Forward Looking Statements

This ASX announcement may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on WAK's current expectations, estimates and assumptions about the industry in which WAK operates, and beliefs and assumptions regarding WAK's future performance. Any forward-looking statements, that are inconsistent with previous forward-looking statements made by the Company supersede those previous statements or prevail to the extent of any inconsistency. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of WAK. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this

announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law, WAK does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based.

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

WA KAOLIN LIMITED

ABN	Quarter ended ("current quarter")
56 083 187 017	31 March 2024

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	796	1507
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(484)	(484)
	(c) production	(1,505)	(4,024)
	(d) staff costs	(1,072)	(3,708)
	(e) administration and corporate costs	(399)	(1,726)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(14)	(285)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	72	163
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,606)**	**(8,557)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(894)	(1,753)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	6,993
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(894)**	**5,240**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,739	7,739
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(159)	(5,525)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,580**	**2,214**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,910	3,093
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,606)	(8,557)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(894)	5,240
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,580	2,214

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,990**	**1,990**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,990	3,910
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,990**	3,910

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	4,500	4,150
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	4,500	4,150

7.5	**Unused financing facilities available at quarter end**	350

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

1) *Toyota Fleet Management – 6 x Hire Purchase agreements at varying interest rates for mobile equipment and motor vehicle (secured)*
2) *$3m Convertible Loan Agreement with Boneyard Investments Pty Ltd, 3-year term from June 2023, 8% interest rate however interest accrued (not paid) until 31 December 2024.*

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,606)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,606)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,990
8.5	Unused finance facilities available at quarter end (item 7.5)	350
8.6	Total available funding (item 8.4 + item 8.5)	2,340
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.90

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Operating cashflow will improve as production ramps up at the Company's Wickepin plant and sales increases.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, the Company is currently in a trading halt pending an announcement in relation to a capital raising by the Company to be made on or before 1 May 2024.

8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer:	Yes, on the basis that the Company is heading toward positive operating cashflow and has successfully undertaken a capital raising.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2024

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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