ASX Announcement

24 July 2024

WA Kaolin

June 2024 Quarterly Activities Report

Highlights

- **Sales and Marketing**
  - **Sales for the June quarter were 3,398 tonnes and $772k**
  - **The Asian construction market is sluggish post Covid, including fibreglass production reportedly down 50% since Covid**
  - **Nevertheless, intense marketing efforts continue throughout Asia to existing and prospective fibreglass and ceramics customers**
  - **16 new customers for FY 2024. A similar quantum of new customers is in process of approval**
  - **Good progress in development of engineered ceramic and paper grades**
  - **Sales of beneficiated ore is being focussed on with encouraging results so far**
- **Finance**
  - **A placement, strongly supported by the Company's major shareholders, was undertaken at 6 cents - a significant premium to current share price**
  - **It secured $2.0m in Tranche 1 (settled early May 2024) and with shareholder approval on 23 July 2024, a further $4.95m in Tranche 2 has been secured (with $1.05m of that subject to FIRB approval)**
  - **An announcement of a Share Purchase Plan to all eligible shareholders to raise an additional $0.5m**
  - **WA Kaolin maintains a cash position of $0.7m at 30 June 2024, with part placement of $3.9m to settle by 29 July 2024**
- **Production**
  - **Plant reliability was steady at 85% for the quarter. Some minor issues that affected results were resolved, including improvement to power station reliability**
- **Classifier Project**
  - **Well advanced with the key machines due to arrive at the end of August**
  - **Structures, auxiliary equipment and electrical aspects are all on track**
  - **$2m of the $3m budget has already been paid and no overrun is expected**
  - **The success of the classifier project will furnish the sales team with finer products to help expand sales**

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Figure 1: Classifier Structure progress with Bucket Elevator installed at rear

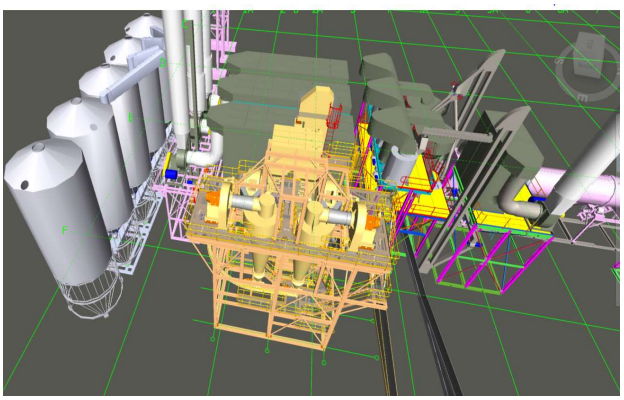

Figure 2: Plant View & Engineering Drawing of Classifier project (in yellow)

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

Placement

On 1 May 2024, the Company announced that it had secured a two-tranche placement to secure $7.0m (before costs) at an issue price of 6 cents per share, a substantial premium to the prevailing share price, comprising:

- Tranche 1 to raise approximately $2.05m using the Company's available 15% placement capacity
- Tranche 2 to raise approximately $4.95m subject to shareholder approval (and FIRB approval in respect of $1.05m)
- Participants to receive one (1) free unlisted option ($0.09 exercise price, expiring 30 June 2027) for every four (4) Shares allocated
- The Company intends to conduct a Share Purchase Plan (SPP) to raise up to $0.5m to eligible shareholders on the same terms with a record date of 30 April 2024

The proceeds of the capital raising are funding the engineering solution to increase yield and capacity of its premium kaolin products at the Company's Wickepin plant to ramp up finer grade production, and for working capital purposes.

Research & Development (R&D)

- Continued activities to build sales in Ceramics, Paint and Paper applications, including the promotion of beneficiated ore for further refining offshore
- Good progress has been achieved in developing engineered Ceramic products at WAK's Kwinana R&D facility. Samples of products with improved plasticity and other critical properties have already been approved by some customers and more samples are being distributed
- A second round of fine grinding of paper grade kaolin is scheduled in Henan, China. WAK, with proprietary techniques, has modified the precursor to improve viscosity for this trial. When the classifiers are operating, less fine grinding will be necessary. Also, this finer product will be suitable for the paint industry
- Metakaolin and Geopolymer investigation and trials continued

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Wickepin Plant Operations

The MD, Mr Alf Baker, continues to lead WAK's Wickepin operations and direct the classifier project.

Improvements to the plant continued during the quarter providing stable plant reliability of 85%. The number of personnel on-site at Wickepin remains at 18. Pending classifier commissioning and continued sales growth, the plant will continue to run one shift, 4.5 days per week.

As previously disclosed, customers have specified finer kaolin for fiberglass production and the Company has satisfied this finer specification but with considerable yield losses and at a lower production rate. The installation of 3rd stage separation using classifiers is the solution to:

a) produce finer products;
b) improve yield losses; and
c) increase production rates

Finer products are also essential for the paper and paint markets, and this further endorses the Classifier Project.

The key elements of the classifier plant have been tested, approved and shipped from USA and are scheduled to arrive by end August 2024. Commissioning will commence in September and successful operation will drive WAK into profit.

Sales

Director, Sales & Marketing, Mr Andrew Sorensen has continued intense activity pursuing customers overseas with the sales team. Please refer to the section titled "**Customer Update**" for further details.

Table 1. Kaolin Sales

	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024	Q4 FY 2024
Kaolin sales (dmt)	1,532	3,948	2,777	3,398
Revenue from sales ($)	$366,922	$821,436	$595,103	$772,000

Customer Update

WA Kaolin is steadily achieving improved sales volumes month by month with orders from new customers each quarter. The quarterly sales growth is depicted in Figure 3 below. The sales of the new grades released this year is underpinning this growth and encouragingly Kaosil (new technical grade of Kaolin) with new repeat orders received from a customer in Vietnam this month. The work conducted on the engineered clays is beginning to bear fruit with an EC-SAN (Premium Ceramic Grade for Sanitaryware) sample approval, which we have a contract pending with a customer in Thailand and EC-PLA (Premium Ceramic Grade for Tableware) ready for release next quarter.

Figure 3 – Quarter sales volume

During the quarter WAK staff met with several companies that are progressing toward collaboration on growing our range of products and markets in China. We are currently negotiating an MOU with a major kaolin supplier targeting volume in the Chinese ceramics market. WAK is also seeking to enter the paper market in China with premium grade, fine particle size kaolin on-processed in China. An agreement has been signed with a Chinese company and initial trials have been completed. Paper market customer evaluations will follow.

As previously mentioned, WAK has a new sales office in Malaysia (WA Kaolin Asia) and an extensive network of agents in has been established in Taiwan, China, Vietnam, Indonesia, Thailand, India and Bangladesh. There are many customers currently in the acquisition pipeline and we are confident that demand will grow. In June, together with the staff from WA Kaolin Asia, WAK hosted a booth at the China Ceramics Expo in Guangzhou from which we received over 60 enquiries from customers in China and Asia.

The Company is introducing samples of Metakaolin products to the market in the coming months which is the first step towards participating in the emerging geopolymer industry in Australia. The metakaolin market represents a significant upside opportunity for WAK. Metakaolin is where the c.13% water of crystallisation in hydrous kaolin is driven off to activate it as a reactive pozzolan.

The market opportunities for metakaolin are:

a) As a pozzolan additive to Portland cement in place of fly ash from coal powered power stations. This application is known as a Supplementary Cementitious Material (SCM). It is only a token improvement to carbon emissions from Portland cement, the world's largest CO2 emitter. Some estimate that metakaolin usage in SCM's could exceed 200kt within the next 2-3 years
b) As a preferred pozzolan that forms a geopolymer cement and concrete when combined with a binder such as an alkali silicate. This system completely displaces Portland cement but will take some decades to occur. Governments are already specifying and giving preference to geopolymer concrete, and some significant projects have been completed, for example Toowoomba airport runway

Corporate

General Meeting

The Company held a General Meeting of shareholders on 23 July 2024 to seek approval for the ratification of the Tranche 1 placement and options issue, the issue of shares to the major shareholders/related parties and unrelated shareholder in Tranche 2, as well as the approval for the issue of SPP securities and shortfall securities (as required). All resolutions were passed by an overwhelming majority.

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Financial information

WA Kaolin held a cash position of $0.7m at 30 June 2024. Following the Company's General Meeting held on 23 July 2024, the Tranche 2 placement will settle by no later than 29 July 2024 in the sum $3.9m. A further $1.05m from the Company's major shareholder is subject to FIRB approval, and will be settled as soon as possible, assuming a positive outcome.

In accordance with Listing Rule 5.3.1, the Company advises that it did not undertake any exploration activities during the quarter ended 30 June 2024.

In accordance with Listing Rule 5.3.2, the Company advises that it spent approximately $0.86m during the quarter on production costs, largely related to ore extraction costs ($0.2m), cost of gas and diesel ($0.44m), and freight costs ($0.3m). No funds were spent during the quarter on development costs, as this cost was expended in previous quarters.

Note that there are some operating costs that continue to be applied to R&D and claimed under the R&D Tax Incentive scheme. The R&D tax incentive for the year ended 30 June 2023 has recently been assessed as $0.55m, as part of the Company's corporate tax return for that year. The Company is currently awaiting this cash refund to be paid by the Australian Tax Office.

In accordance with Listing Rule 5.3.5, $130,082 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: $31,711
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of managing director (per contract of employment (at arm's length) as the Company's Territory Sales Executive): $16,337
- Fees paid to the managing director in lieu of salary: $29,167 (per executed consultancy deed)
- Reimbursement of approved expenses relating to the construction of the Company's Wickepin Project to an entity associated with an executive director (at arm's length, no mark-up applied): $41,187
- Fees paid to two family members of the executive director relating to the construction of elements relating to the Company's classifier project at its Wickepin plant, through an entity associated with the executive director (at arm's length, 10% mark-up applied): $11,681

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

Tenement	Prospect	Ownership (%)	Change
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.

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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, which 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	30 June 2024

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	665	2,172
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	(484)
	(c) production	(1,048)	(5,072)
	(d) staff costs	(1,017)	(4,725)
	(e) administration and corporate costs	(558)	(2,284)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(254)	(539)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	45	208
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,167)**	**(10,724)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(951)	(2,704)
	(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 (12 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**	**(951)**	**4,289**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,007	9,746
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)	(5,684)
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**	**1,848**	**4,062**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,990	3,093
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,167)	(10,724)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(951)	4,289
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,848	4,062

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**720**	**720**

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	720	1,990
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)**	**720**	**1,990**

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	118
6.2	Aggregate amount of payments to related parties and their associates included in item 2	12

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 fixed 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)	(2,167)
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)	(2,167)
8.4	Cash and cash equivalents at quarter end (item 4.6)	720
8.5	Unused finance facilities available at quarter end (item 7.5)	350
8.6	Total available funding (item 8.4 + item 8.5)	1,070
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.49

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 the expecting the majority (circa $3.9m) of its Tranche 2 placement from its recent equity raising to be settled by no later than 29 July 2024.A further $1.05m committed in Tranche 2, which is subject to FIRB approval, will be received by the Company once approval is granted.

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: 23 July 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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