

31 January 2024

December 2023 Quarterly Activities Report

Highlights

- **Production for the quarter increased to 4,591 tonnes generating revenue of \$821,436**
- **December was particularly pleasing at over 2,000 tonnes production and revenue of \$0.4m, notwithstanding that the plant only operated for 3 weeks of the month.**
- **Extensive maintenance and improvement works were carried out throughout December and early January and so far show that plant reliability has improved from circa 60% to circa 90% along with a significant production rate increase and a material reduction in labour and operating costs.**
- **During the quarter, the Board and management were restructured with MD Mr Alf Baker recommitting to full time management of operations at Wickepin, the appointment of Mr. Ken Hall in a non-executive director role and Mr Andrew Sorensen providing full time focus on growing the market and sales revenue.**
- **As a result of this restructuring, overheads and costs were trimmed. Mr Hall has provided valuable input into plant improvement particularly with all matters electrical and progress has been made with the company's sales channels. Our Malaysian office run by Ms Pettsy Loo is now established and has provided greater support and visibility to customers which has led to an increase in inbound customer enquiries.**
- **The plant upgrade due later this year which will improve yield and production rate as well as meet customer requirements for finer particle size specification is progressing. Engineering and planning for the required equipment is in full swing with the U.S. supplier progressing fabrication.**
- **A total of five out of seven committed instalments have now been made by Stanco International as part of its \$7.7m equity investment at a share price of \$0.17**
- **WA Kaolin maintains a sound cash position of \$3.9m at 31 December 2023 with formal commitments for a further \$1.7m over the coming two months from Stanco**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (**ASX: WAK**) is pleased to provide an update on its activities for the December 2023 quarter.

WA Kaolin holds the Wickepin Kaolin Project, 200km south-east of Perth, which produces kaolin products for tier one customers. The Company aims to expand its production from the Wickepin Project to 400,000tpa in a two-stage expansion strategy.

In November 2023, Mr Alf Baker recommitted to manage the operations full time at Wickepin, in his capacity of Managing Director of the Company. Mr Hall continues to provide valuable contributions in matters electrical which is assisting deliver ongoing plant improvements.

Whilst some improvements to yield were implemented during the quarter, the December quarter remained challenging for the business, with high labour and operating costs high due largely to some remaining plant reliability issues that could only be attended to over the Xmas/New Year shutdown. Results of these latest improvements are showing strong plant performance in January 2024 including improved plant reliability, yield and consistently excellent product quality.

With improved reliability and yield, the plant can meet the current customer demand in a single 10-hour shift for up to 5 days per week. WAK is therefore now production-ready for further offtakes to dramatically increase, with Mr Andrew Sorensen now totally focussed on sales and marketing.

Another key factor towards our success in 2024 and beyond is the intense effort being undertaken at our Kwinana R&D centre under the leadership of our Technical Manager, Mr Nathan Allbut, to provide engineered products with, for example, improved plasticity and workability for the ceramics market. This is advancing well towards new product releases which will both increase output and average selling price.

It has been an important period for building our financial strength as we continue the ramp up of the Wickepin Kaolin Project. The settlement of the Kwinana property sale early in the quarter and strengthening of our cash position was complemented by the equity placement to Stanco. We have received \$6m from Stanco to-date with another \$1.7m to be split into monthly payments until February 2024.

The signing of an expanded offtake agreement with Stanco also provides improved revenue certainty as production increases at Wickepin. We are delighted to have solidified our long-term relationship with Stanco.

These activities and the updated Ore Reserve Estimate (ORE) of 64.9Mt (which equates to a 73-year mine life) provide long-term security to the business. This is a globally significant resource and confirms that WA Kaolin is a multi-generational industrial minerals business.

Wickepin Plant Operations

WA Kaolin is emerging as a globally significant kaolin producer with growing demand for kaolin products. Deliveries to customers from the Wickepin Project commenced in late 2022.

The processing plant has been constructed to utilise WA Kaolin's proprietary processing method, the 'K99 Process', developed by the Company specifically for the high-grade Wickepin kaolin resource. The K99 Process produces an ultra-bright, high-quality kaolin product at a low cost, in comparison to other methods which rely on chemical bleaching and multiple wet mechanical and magnetic separation methods.

Customer quality demands have materially increased within the international Kaolin markets over the last 12 months. WA Kaolin is proactively managing these demands with continued modification and upgrade to the plant, in particular with respect to finer particle size. The engineering team have designed a new process flow scheme for second stage separator section of the plant and have ordered additional classifying equipment from USA.

During the December quarter, WA Kaolin continued the production ramp up of the Wickepin plant, achieving a production of 4,591 tonnes for the quarter. This result was again below target, but yield was improved as a result of previous quarter's changes to plant configuration. December alone, despite being a short month achieved more than 2000 tons of production shipped out to customers.

Production and Deliveries

Table 1. Wickepin Kaolin Production

PRODUCTION	Q3 FY2023	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024
Kaolin Produced and Bagged	1,254	2,089	1,456	4,591

Table 2. Kaolin Shipping & Sales

PRODUCTION	Q3 FY2023	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024
Kaolin sales (dmt)	759	1,346	1,532	3,948
Revenue from sales (\$)	\$204,240	\$352,712	\$366,922	\$821,436

Supporting Customers

The company secured a booth and exhibited at the 7th edition of ASEAN Ceramics on the 28th to the 30th of November 2023 at the International Centre for Exhibitions (ICE), Hanoi, Vietnam. A host of new customer leads were uncovered, and the sales team have been busy following up the potential customers.

The Company has been adding to the reach of our sales and marketing organisation through the appointment of sales agents in regional territories. WAK is now represented by local companies in China, Taiwan, Indonesia, Thailand, India, Bangladesh and Korea. The sales team are working closely with and providing support to the sales agents to maximise the reach into customers in each of the regions.

Ore Reserve Estimate & Mineral Resource Estimate

During the quarter, the Company announced an updated Ore Reserve Estimate (“ORE”) and Mineral Resource Estimate (“MRE”) for the Wickepin Kaolin Project in Western Australia.

WA Kaolin commissioned CSA Global, an independent geological and mining consultancy who also authored the previous estimates, to provide an updated ORE and MRE for the Company’s Wickepin operation in accordance with the JORC 2012 Code.

New 2012 JORC Ore Reserve Estimate

A total (Proved and Probable) Ore Reserve of 64.9Mt has been estimated, an increase of 113% on the previously reported Ore Reserve (Source: CSA Global Report No. R301.2020 – 30th July 2020), based on the approved pit designs and with the usage of several modifying factors.

The mine design, production schedule, and associated financial and other studies have demonstrated that kaolin can be produced with a mine production life of approximately 73 years. The initial 20 years are reported as Proved Ore Reserve while the remaining fall under Probable and comprise the remaining Life of Mine.

The Ore Reserve is reported in accordance with the JORC Code and is shown in Table 3.

Table 3. Ore Reserves by JORC Classification

JORC classification	Tonnes (Mt)	ISO brightness (%)	Yield (%) (<45 µm in size)	In situ Kaolin (Mt)
Proved	15.8	81.9	49.9	7.9
Probable	49.1	82.2	50.7	24.9
Total	64.9	82.2	50.5	32.8

Source: CSA Global Report No. R310.2020 – 29th September 2023

Mineral Resource Estimate

The last statement for a Mineral Resource Estimate for the WA Kaolin Project Wickepin deposit was dated 3 August 2017 with 644.5 million tonnes of ore.

Since the discovery of Wickepin by Rio Tinto in 1994, approximately 17,512m have been drilled over the Project by the air-core method.

The resultant model is depleted with the open pits as of 19 May 2023 and presented in Table 4. The total Mineral Resource Estimate is 643.0Mt, consisting of 65.5Mt in Measured and Indicated Category and 577.5Mt in Inferred Resource.

The variables under consideration for estimation were ISO brightness and kaolin yield (<45 µm in size) and are shown in Table 4.

Table 4. Inferred Mineral Resources (<45 µm), WA Kaolin Project

Classification	Kaolinized granite (Mt)	ISO brightness (%)	Yield (%)	Kaolin (Mt)
Total	643.0	75.8	44.0	283

Source: CSA Global Report No. R313.2023 – 29th September 2023

Corporate

Annual General Meeting

The Annual General Meeting (AGM) of the Company was held at 2pm WST on Friday, 24 November 2023 in Perth. All resolutions put to shareholders were passed with the requisite majority.

Financial information

WA Kaolin held a cash position of \$3.9m at 31 December 2023.

In accordance with Listing Rule 5.3.1, the Company advises that it did not undertake any exploration activities during the quarter ended 31 December 2023.

In accordance with Listing Rule 5.3.2, the Company advises that it spent approximately \$1.02m during the quarter on mining production costs, largely related to ore extraction costs (\$0.32m) and cost of gas and other associated costs (\$0.23m).

In accordance with Listing Rule 5.3.5, \$294,174 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$38,363
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of executive director (per contract of employment as the Company's Territory Sales Executive): \$19,118
- Fees paid to the executive director in lieu of salary: \$81,667 (per executed consultancy deed)
- Business expense reimbursements paid to an entity associated with the executive director (at cost): \$13,695

- Payment of costs relating to building works undertaken by two family members of the executive director (at cost plus 10% mark-up): \$8,085
- Repayment of outstanding fees from Listing to an entity associated with the executive director: \$125,000
- Royalties paid to an entity associated with the executive director: \$8,246.

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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Andrew Sorensen

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Estimates and production targets

The Mineral Resources and Ore Reserves Estimates referred to in this announcement were previously released to the ASX on 10 October 2023. The production targets referred to in this announcement were previously reported in the Company's Prospectus dated 11 October 2020 and released to the ASX on 24 November 2020 and the Definitive Feasibility Study announcements released on 24 and 25 November 2020. WA Kaolin confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimates, production target or forecast financial information derived from a production target continue to apply and have not materially changed.

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.

Appendix 5B

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

Name of entity

WA KAOLIN LIMITED

ABN

56 083 187 017

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	395	711
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(1,334)	(2,519)
	(d) staff costs	(1,438)	(2,636)
	(e) administration and corporate costs	(656)	(1,327)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(137)	(271)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	48	91
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(3,122)	(5,951)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(216)	(859)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(216)	6,134

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	6,000
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	(190)	(5,366)
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	2,810	634

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,438	3,093
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,122)	(5,951)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(216)	6,134
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,810	634

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,910	3,910

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	3,910	4,437
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)	3,910	4,437

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	286
6.2	Aggregate amount of payments to related parties and their associates included in item 2	8
<i>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.</i>		

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

7.	Financing facilities <i>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.</i>	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)	(3,122)
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)	(3,122)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,910
8.5	Unused finance facilities available at quarter end (item 7.5)	350
8.6	Total available funding (item 8.4 + item 8.5)	4,260
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.36
	<i>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.</i>	
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 continues to improve as production at the Company's Wickepin plant ramps up.	
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 has entered into a share subscription arrangement with several tranches (\$4.7m) still to be delivered by February 2024 which will improve its cash position, whilst production ramps up at its Wickepin plant and operating cashflow is expected to improve.	

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 undertaken the share subscription arrangement mentioned in 8.8.2 above.

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: 31 January 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.