

Appendix 4D
WA Kaolin Limited
ABN 56 083 187 017

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Results for announcement to the market

Extracts of the WA Kaolin Limited results for the half year ended 31 December 2023

Revenues from continuing activities	Up	32.4%	to	\$1,195,286
Loss from ordinary activities after tax attributable to members	Up	124.1%	to	\$5,550,474
Comprehensive loss for the period attributable to members	Up	124.1%	to	\$5,550,474
Dividends	Amount per share	Franked amount per share		
Interim dividend	Nil	Nil		
Final dividend	Nil	Nil		
Record date for determining entitlements to the dividend	N/A			
Other information				
Net asset backing per ordinary share	\$0.02 per share (2022: (\$0.02) per share)			
Net tangible asset backing per ordinary share	\$0.02 per share (2022: (\$0.02) per share)			
Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2023 half-year financial statements.				



WA Kaolin Limited

ABN 56 083 187 017

Interim Financial Report

31 December 2023

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CORPORATE INFORMATION

ABN 56 083 187 017

Directors

Dr John White (Non-Executive Chairman)

Mr Alfred Baker (Managing Director)

Ms Cathy Moises (Non-Executive Director) (resigned 30 November 2023)

Mr Patrick Walta (Non-Executive Director) (resigned 24 November 2023)

Mr Kenneth Hall (Non-Executive Director) (appointed 01 December 2023)

Mr Sean Hu (Non-Executive Director) (appointed 06 March 2024)

Mr Cameron Baker (Alternate)

Mr Brady Hall (Alternate) (appointed 01 December 2023)

Company secretary

Mr Michael Kenyon

Registered office

Lot 3 Ward Road

EAST ROCKINGHAM WA 6168

Telephone: +61 8 9439 6300

Principal place of business

Lot 3 Ward Road

EAST ROCKINGHAM WA 6168

Telephone: +61 8 9439 6300

Website: www.wakaolin.com.au

Share registry

Automatic Share Registry

126 Phillip Street

SYDNEY NSW 2000

Telephone: 1300 288 664

Solicitors

EMK Lawyers

Suite 1, 519 Stirling Highway

COTTESLOE WA 6012

Bankers

Westpac Banking Corporation

108 St George's Terrace

PERTH WA 6000

Auditors

BDO Audit (WA) Pty Ltd

Level 9

Mia Yellagonga Tower 2

5 Spring Street

Perth WA 6000

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity ("Group") consisting of WA Kaolin Limited ("Company") and the entity it controlled at the end of, or during, the half-year ended 31 December 2023. In order to comply with the provisions of *the Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office throughout the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Dr John White
Mr Alfred Baker
Ms Cathy Moises (resigned 30 November 2023)
Mr Patrick Walta (resigned 24 November 2023)
Mr Kenneth Hall (appointed 01 December 2023)
Mr Sean Hu (appointed 06 March 2024)
Mr Cameron Baker (Alternate)
Mr Brady Hall (Alternate) (appointed 01 December 2023)

Principal Activities

The principal activities of the Group were the development of its mineral resources of high-grade premium kaolinised granite and operation of its new proprietary production facility in Wickepin, Western Australia.

Financial Results and Review of Operations

Financial Results

The Group recorded a net loss after tax for the half year of \$5,550,474 (31 December 2022: \$2,477,156), of which \$Nil was for a share-based payments expense (31 December 2022: \$168,000) and \$657,466 for interest on borrowings (31 December 2022: \$958,253).

Financial Position

At 31 December 2023, the Group had cash reserves of \$3,910,412 (30 June 2023: \$3,093,776).

The net asset position of the Group increased to \$10,250,016 as at 31 December 2023 (30 June 2023: \$9,800,491), largely as a result of a recent share subscription transaction.

Review of Operations

Health, Safety and Environment

The Company is pleased to report that there were no significant health, safety or environmental incidents during the half year.

Operations

The Company is sole owner of a mining lease, a general-purpose lease, a miscellaneous licence and retention licences which comprise the Wickepin Kaolin Project (Project). The Project, which is one of the largest known remaining kaolin resources in the world, contains an Ore Reserve of 30.5 million tonnes which is included in the Mineral Resource (reported in accordance with JORC 2012) of 644.5 million tonnes of high-grade premium kaolinised granite.

The Company conducts mining operations at its mining tenement in East Wickepin, Western Australia and has developed a production plant to produce refined kaolin adjacent to its mining operations. The Company also has a research and development (R&D) centre located at a Company-leased facility in East Rockingham, Western Australia. At the R&D centre, the company is seeking to produce specialty products from its kaolin ore.

In August 2023, the Company established a wholly owned subsidiary in Malaysia, WA Kaolin (Asia) Sdn. Bhd., staffed by one sales and marketing person in Kuala Lumpur. The office was established in order to provide greater support and visibility to its customers throughout Asia.

During the half-year, the Company continued to stabilise its Stage 1 operations at its Wickepin plant, with kaolin products being sold to its customers in Australia and overseas. The Company has also committed to acquiring new U.S. sourced classifying equipment for its plant in order to reach nameplate capacity of its finer grades in order to boost market share. Through stronger management in sales and marketing, the Company is seeking to expand and solidify customer relationships and at the same time focus on production and cost controls, as it seeks to achieve positive operating cashflow by the end of the 2024 calendar year.

DIRECTORS' REPORT (continued)

The Company is primarily focused on establishing itself as the preferred supplier of high-grade premium kaolin products globally through:

- continued production ramp-up of its processing plant in East Wickepin, utilising the K99 Process;
- investment in new classifying equipment to refine the production process and increase the output of finer kaolin;
- progressive increase in production to circa 200,000 tonnes per annum through the plant;
- expansion of production capacity at the Wickepin plant to 400,000 tonnes per annum through the installation of a second stage of production equipment;
- negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties; and
- investigating further processing expansion including the construction of an additional wet processing plant to produce product suitable for use in premium paper and packaging markets.

Significant events after reporting date

Subsequent to the reporting period, the final two tranches relating to the share subscription agreement between the Company and Century Horse Limited were received and ordinary shares in the Company were issued: 1) on 24 January 2024, a total of 5,882,353 ordinary shares were issued; and 2) on 12 February 2024, a total of 4,349,480 ordinary shares were issued, both an issue price of \$0.17.

There are no other matters or circumstances that have arisen since 31 December 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Significant changes in state of affairs

On 21 July 2023, the Company sold its property at East Rockingham, Western Australia to Coogee Chemicals Pty Ltd for \$7m plus GST. A 3- year lease to use the facility was also executed at a nominal annual rental fee.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's Independence Declaration

Section 307C of *the Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2023.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001



Dr John White, Chairman

Melbourne, Victoria

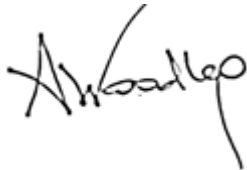
Dated this 14th day of March 2024

DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF WA KAOLIN LIMITED

As lead auditor for the review of WA Kaolin Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of WA Kaolin Limited and the entity it controlled during the period.



Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	Notes	31 December 2023 \$	31 December 2022 \$
Continuing operations			
Revenue	2a	1,195,286	902,755
Other income	2b	149,568	18,628
Changes in inventories of finished goods and work in progress		(1,793,468)	(412,254)
Rental expenses and outgoings	2c	(159,732)	(32,999)
Employee benefits expense	2c	(2,571,816)	(661,634)
Depreciation and amortisation	2c	(438,039)	(201,659)
Other expenses	2c	(1,274,983)	(971,047)
Share-based payments	2c	-	(168,000)
Results from operating activities		(4,893,184)	(1,526,210)
Finance income		176	7,307
Finance costs	2c	(657,466)	(958,253)
Net finance costs		(657,290)	(950,946)
Loss before income tax		(5,550,474)	(2,477,156)
Income tax (expense)/benefit		-	-
Loss after income tax from continuing operations		(5,550,474)	(2,477,156)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or losses (net of tax)</i>			
Other comprehensive loss for the period, net of income tax		-	-
Total comprehensive (loss)/profit		(5,550,474)	(2,477,156)
 (Loss)/Profit per share for the period attributable to the members of the Company			
Basic (loss)/profit per share (cents per share)		\$(0.015)	\$(0.007)
Diluted (loss)/profit per share (cents per share)		\$(0.015)	\$(0.007)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Notes	31 December 2023 \$	30 June 2023 \$
Assets			
Current assets			
Cash and cash equivalents	3	3,910,412	3,093,776
Trade and other receivables	4	1,042,522	420,674
Inventory	6	2,629,975	1,904,603
Total current assets		7,582,909	5,419,053
Non-current assets			
Right of Use Asset	15	825,028	50,273
Property, plant and equipment	5	1,870,879	8,804,640
Deposits		922,509	683,779
Mine development expenditure	7	28,386,215	28,395,734
Total non-current assets		32,004,631	37,934,426
Total assets		39,587,540	43,353,479
Liabilities			
Current liabilities			
Trade and other payables	8	2,987,027	2,869,113
Borrowings	9	21,248,419	14,403,316
Provisions		218,609	213,835
Total current liabilities		24,454,055	17,486,264
Non-current liabilities			
Borrowings	9	3,885,821	15,072,274
Provisions		997,648	994,451
Total non-current liabilities		4,883,469	16,066,725
Total liabilities		29,337,524	33,552,989
Net assets/(liabilities)		10,250,016	9,800,490
Equity			
Issued capital	10	54,890,169	48,890,169
Reserves		37,385,293	37,385,293
Accumulated loss		(82,025,446)	(76,474,972)
Total equity		10,250,016	9,800,490

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

	Issued capital \$	Accumulated losses \$	Asset revaluation reserve \$	Share-based payment reserve \$	Capital contribution reserve \$	Total equity \$
Consolidated						
Balance at 1 July 2022	42,300,791	(72,725,131)	2,318,175	15,690,359	17,880,927	5,465,120
Loss for the period	-	(2,477,156)	-	-	-	(2,477,156)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(2,477,156)	-	-	-	(2,477,156)
Transaction with owners:						
Fair value of performance rights	-	-	-	168,000	-	168,000
Issue of shares – Net of costs	5,625,488	-	-	-	-	5,625,488
Balance at 31 December 2022	47,926,279	(75,202,287)	2,318,175	15,858,359	17,880,927	8,781,453
Balance at 1 July 2023	48,890,169	(76,474,972)	5,846,007	13,658,359	17,880,927	9,800,490
Loss for the period	-	(5,550,474)	-	-	-	(5,550,474)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(5,550,474)	-	-	-	(5,550,474)
Transactions with owners:						
Issue of shares – Net of costs	6,000,000	-	-	-	-	6,000,000
Balance at 31 December 2023	54,890,169	(82,025,446)	5,846,007	13,658,359	17,880,927	10,250,016

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

	Notes	31 December 2023	31 December 2022
		\$	\$
Cash flows from operating activities			
Receipts from product sales		711,182	895,557
Payments to suppliers and employees		(7,182,402)	(2,863,109)
Interest received		176	7,306
Other income		-	92
Government grants, subsidies and concessions		91,245	9,793
Net cash outflow from operating activities		(6,379,799)	(1,950,361)
Cash flows from investing activities			
Purchase of property, plant and equipment		(859,327)	(64,439)
Sale of property, plant and equipment		7,693,387	-
Mine development expenditure		-	(4,684,571)
Net cash inflow (outflow) from investing activities		6,834,060	(4,749,010)
Cash flows from financing activities			
Loan interest paid		(271,077)	(446,094)
Repayment of Borrowings		(5,366,548)	(301,244)
Proceeds from Borrowings		-	1,000,000
Equity transaction fees		-	(164,512)
Issue of shares		6,000,000	5,790,000
Net cash inflow/ (Outflow) from financing activities		362,375	5,878,150
Net increase (decrease) in cash held		816,636	(821,221)
Cash and cash equivalents at the beginning of the period		3,093,776	6,364,612
Cash and cash equivalents at the end of the period	3	3,910,412	5,543,391

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

WA Kaolin Limited ("WAK" or "Company") is a company domiciled in Australia. The balances of the Company for the half-year ended 31 December 2023 include the Company and the entity it controlled at the end of, or during, the half-year.

b) Statement of compliance

These half-year financial statements are general purpose consolidated financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 '*Interim Financial Reporting*', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the financial statements of WA Kaolin Limited for the year ended 30 June 2023 and any public announcements made by WA Kaolin Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

c) Basis of preparation

This half-year report has been prepared as described in Note 1(a). Cost is based on the fair value of the consideration given in exchange for assets and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing this report, the half-year has been treated as a discrete reporting period.

d) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year, except for the impact of the new Standards and Interpretations effective 1 July 2023 disclosed in Note 1(f). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

e) Significant accounting judgements and key estimates

The preparation of half-year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Management was of the view that as the plant had produced the full spectrum of targeted product grades, operated the plant for sustained periods across multiple shifts, and reached or exceeded predetermined capacity levels, it signified the achievement of commercial production effective from 1 July 2023.

In preparing this half-year report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2023.

f) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2023

In the half-year ended 31 December 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2023. There are none that have a material impact on the Company.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2023. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to its accounting policies.

No other new standards, amendments to standards or interpretations are expected to affect the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Company only has one operating segment. With the incorporation of Malaysian entity on 09 August 2023, the Company now operates in multiple geographical locations, however for segment reporting purposes, these locations are not identified as separate operating segments based on the immaterial nature of transactions in Malaysia.

h) Going concern

For the half-year ended 31 December 2023, the Company recorded a loss from continuing operations after income tax of \$5,550,474 (2022: \$2,477,156) and had net cash outflows from operating activities of \$6,379,799 (2022: \$1,950,361) and working capital deficit of \$16,871,146 (30 June 2023: working capital deficit of \$12,067,211).

The ability of the Company to continue as a going concern is dependent on maintaining the support of its existing and potentially new financiers, increased sales of WA Kaolin's product and securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of its business platform.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have therefore been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company's Wickepin mine and associated plant will continue to approach nameplate capacity during the course of calendar year 2024 as new classifying equipment is installed;
- Existing and new orders will be filled as production is ramped up during the rest of the financial year 2024;
- The company has obtained support from borrowers to ensure there will be no calls on existing loans.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

i) Mine Development expenditure

When an exploration area of interest meets certain criteria, including the determination of technical feasibility, commercial viability, and all planning concessions and approval, the deferred exploration and evaluation costs are transferred to Mine Development. When production commences, Mine Development costs for the relevant area of interest are amortised over the life of the mine according to the rate of depletion of the economically recoverable reserves.

The assessment of when a mine attains the requisite conditions for operating as intended by management, commonly known as achieving "commercial production," involves substantial judgment. Management has taken various factors to determine when a mining property has reached the operational capacity envisioned, including producing different grades of products, operating the plant for sustained periods across multiple shifts, and reaching or exceeding predetermined capacity levels.

Once in commercial production, the capitalization of certain mine development and construction costs ceases and depletion of the mine property commences. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. Any costs relating to mining asset additions or improvements, or mineable reserve development, are assessed to determine whether capitalization is appropriate. The Company declared that the Project achieved commercial production effective 1st July 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Right of use assets and lease liabilities

AASB 16 standard is applicable to annual reporting periods beginning on or after 1 January 2019. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term.

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised, or lease payments are expensed to profit, or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

The company has finalised a 3-year lease for the East Rockingham property, with an annual rental fee of \$1 per annum in the sale and lease back transaction. The principal aim of the sale is to infuse funds into the company for debt reduction while retaining use of the property for continued R&D endeavours. This transaction generated a gross positive cash inflow of \$7 million plus GST, which was allocated towards repaying loans, resulting in a net positive cash inflow of \$2.6 million after debt settlement. The variance between the fair value of the property at the sale date, amounting to \$7.6 million, and the \$7 million proceeds received has been recognized as a right-of-use asset with nil lease liability stemming from advance payments for lease obligations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

NOTE 2: REVENUE AND EXPENSES

	31 December 2023	31 December 2022
	\$	\$
(a) Revenue		
Sale of products – domestic	178,455	107,579
Sale of products – export	1,016,831	795,176
	<u>1,195,286</u>	<u>902,755</u>
(b) Other income		
Fuel tax credit	94,067	18,536
Other income	55,501	92
	<u>149,568</u>	<u>18,628</u>
(c) Expenses		
Profit before income tax includes the following specific expenses:		
<i>Rental expenses and outgoings</i>		
Property rental	12,635	8,980
Landowner's payments	36,632	5,886
Tenement rentals	85,995	17,740
Tenement rates	24,470	393
Total rental expenses and outgoings	<u>159,732</u>	<u>32,999</u>
<i>Employee benefits expense</i>		
Directors' fees	92,000	100,000
Salaries and wages	2,078,388	337,083
Superannuation	204,637	84,172
Payroll tax	118,497	86,474
Leave & Other entitlements	78,294	53,905
Total employee benefits expenses	<u>2,571,816</u>	<u>661,634</u>
<i>Depreciation</i>		
Plant & equipment	261,827	154,611
Leased asset	150,396	19,335
Leasehold improvements	1,302	13,266
Motor vehicles	14,995	14,447
Mine Development	9,519	-
Total depreciation	<u>438,039</u>	<u>201,659</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

NOTE 2: REVENUE AND EXPENSES (continued)

	31 December 2023	31 December 2022
	\$	\$
<i>Other expenses</i>		
Accounting and administration fees	102,552	157,785
Consulting fees / Corporate expenses	169,181	123,536
Insurance	216,202	186,017
Internal freight charges	96,199	181,521
Research & development costs	29,304	24,355
ASX filing fees	21,610	19,806
Legal fees	17,369	13,310
Other	622,566	264,717
	<u>1,274,983</u>	<u>971,047</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	657,466	958,253
	<u>657,466</u>	<u>958,253</u>
<i>Share-based payments</i>		
Fair value of Performance Rights/Incentive Options granted to directors and employees	-	168,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

NOTE 3: CASH AND CASH EQUIVALENTS

	31 December 2023	30 June 2023
	\$	\$
Cash at bank and on hand	3,910,412	3,093,776

NOTE 4: CURRENT TRADE AND OTHER RECEIVABLES

	31 December 2023	30 June 2023
	\$	\$
Trade receivables	578,547	97,137
Allowance for impairment	-	-
	578,547	97,137
Sundry debtors	25,015	22,192
Prepayments	438,960	301,345
	463,975	323,537
Total trade and other receivables	1,042,522	420,674

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Year ended 30 June 2023				
At 1 July 2022, net of accumulated depreciation and impairment	418,312	178,631	4,363,354	4,960,297
Additions	681,005	36,231	5,699	722,935
Revaluation	-	-	3,527,833	3,527,833
Depreciation charge for the year	(351,463)	(28,646)	(26,316)	(406,425)
At 30 June 2023, net of accumulated depreciation and impairment	747,854	186,216	7,870,570	8,804,640
At 30 June 2023				
Cost or fair value	9,818,681	274,178	8,258,229	18,351,088
Accumulated depreciation and impairment	(9,070,827)	(87,962)	(387,659)	(9,546,448)
Net carrying amount	747,854	186,216	7,870,570	8,804,640

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Half year ended 31 December 2023				
At 1 July 2023, net of accumulated depreciation and impairment	747,854	186,216	7,870,570	8,804,640
Additions	812,319	-	132,044	944,363
Disposals	-	-	(7,600,000)	(7,600,000)
Depreciation charge for the year	(261,827)	(14,995)	(1,302)	(278,124)
At 31 December 2023, net of accumulated depreciation and impairment	1,298,346	171,221	401,312	1,870,879
At 31 December 2023				
Cost or fair value	10,631,000	274,178	790,273	11,695,451
Accumulated depreciation and impairment	(9,332,654)	(102,957)	(388,961)	(9,824,572)
Net carrying amount	1,298,346	171,221	401,312	1,870,879

The useful life of the assets was estimated as follows for both 2023 and 2022:

- Plant and equipment 2 to 20 years
- Motor vehicles 4 to 6 years
- Leasehold improvements 10 to 13 years
- Buildings 40 years

On 21 July 2023, the Company sold its property at East Rockingham, Western Australia to Coogee Chemicals Pty Ltd for \$7m plus GST. A 3-year lease to use the facility was also executed at a nominal annual rental fee. The difference between the fair value of the property at the date of sale of \$7.6m and the \$7m of proceeds received has been recognised as a right of use asset arising from advance payments for lease obligations which will be amortised over the 3-year term of the lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 6: INVENTORY

	31 December 2023	30 June 2023
	\$	\$
Ore stockpiles	1,413,125	955,757
Finished goods	621,187	447,254
Packaging & consumables	595,663	501,592
	<u>2,629,975</u>	<u>1,904,603</u>

Stockpiles recognised within raw materials are measured by estimating the number of tonnes added and removed from the stockpile, and the estimated recovery percentage. Stockpile tonnages are verified to periodic surveys. Such estimates and assumptions may change as new information becomes available and could impact on the carrying value of inventories.

NOTE 7: MINE PROPERTIES

	31 December 2023	30 June 2023
	\$	\$
Balance at beginning of period	28,395,734	20,040,107
Wickepin plant project	-	8,355,627
Depreciation	(9,519)	-
Carrying amount at the end of the period	<u>28,386,215</u>	<u>28,395,734</u>

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2023	30 June 2023
	\$	\$
Current		
Trade payables	2,110,960	2,299,127
Accruals	664,520	463,408
Other employment-related payables	211,547	106,578
	<u>2,987,027</u>	<u>2,869,113</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 9: BORROWINGS

	31 December 2023	30 June 2023
	\$	\$
Current		
Loans from related parties (i)	1,150,000	1,150,000
Loans from other parties (ii)	20,098,419	13,253,316
	21,248,419	14,403,316
Non-current		
Loans from related parties (i)	-	-
Loans from other parties (ii)	3,885,821	15,072,274
	3,885,821	15,072,274
Total borrowings	25,134,240	29,475,590

- (i) The Company has the following executed loan agreements in place with its related parties at the reporting date with the respective terms and conditions:
 Lender: Wamco Industries Group Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 0%
 Collateral securities: None
 Amount due in less than 1 year: \$1,150,000.
 The lender has confirmed, they will not call on the entire debt 12 months from the date of the approval of the half-year financial statements.
- (ii) The Company has the following executed loan agreements in place from other parties at the reporting date with the respective terms and conditions:
- (a) Lender: Boneyard Investments Pty Ltd
 Agreement date: 30 June 2023
 Expiry date: 30 June 2026
 Interest rate: 8% per annum (Interest will accumulate unpaid for a period of two years, following which it will be disbursed on a quarterly basis.
 Repayments: The entire loan amount will be settled in a single payment upon the expiry date, or it can be converted into equity, contingent upon shareholders' approval.
 Conversion: Number of shares determined by dividing the outstanding loan amount by conversion price.
 Conversion price is calculated by 20% discount to the value of weighted average market price on the ASX.
 Amount due in more than 1 year: \$3,120,986.
- (b) Toyota Finance for the financing of plant and equipment \$848,376, lease liability \$120,729 & small insurance premium funding facility.
- (c) Lender: Scientific Management Associates (Operations) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 6% per annum
 Collateral securities: None
 Amount due in less than 1 year: \$8,000,000
 The lender has confirmed, they will not call on the entire debt 12 months from the date of the approval of the half-year financial statements.
- (d) Lender: Scientific Management Associates (Victoria) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2028
 Interest rate: 0%
 Collateral securities: None
 Amount due in less than 1 year: \$4,635,000
 Amount due in less than 1 year: \$7,405,000 (20 September 2024)
 The lender has confirmed, they will not call on the entire debt 12 months from the date of the approval of the half-year financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 10 CAPITAL AND RESERVES

	31 December 2023		30 June 2023	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital	413,552,288	54,890,169	378,258,170	48,890,169

(b) Movements in ordinary share capital

	Year to 31 December 2023		Year to 30 June 2023	
	Number of shares	\$	Number of shares	\$
Balance at beginning of year	378,258,170	48,890,169	332,991,470	42,300,791
Issue of shares to third parties	35,294,118	6,000,000	38,600,033	5,790,000
Issue of shares upon conversion of convertible notes	-	-	6,666,667	1,000,000
Capital raising costs	-	-	-	(200,622)
Balance at end of year	413,552,288	54,890,169	378,258,170	48,890,169

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movements in unlisted performance rights

No.	Balance at start of period	# Granted during the period	Vested and Exercised	Cancelled/ Forfeited	Balance at end of period	Value vested during the period (\$)
3	8,250,000	-	-	(2,750,000)	5,500,000	-
4	8,250,000	-	-	(2,750,000)	5,500,000	-
	16,500,000	-	-	(5,500,000)	11,000,000	-

The performance hurdles relating to the year-ended 30 June 2023 were not met, and those rights have subsequently been cancelled after balance date, although noted in the table above as being cancelled at the end of the period. For the remaining tranches of performance rights (30 June 2024 and 30 June 2025), whilst the above milestones are possible, they are not yet probable, so no expense has been recognised during the year.

¹(General meetings) The Performance Rights confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.

(No voting rights) The Performance Rights do not entitle the holder to vote on any resolutions proposed at a general meeting of the shareholders of the Company except:

- i) where the resolution is to amend the rights attaching to the Performance Rights; or
- ii) as otherwise required by law.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

No.	Milestone	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
1	Project Delivery – CAPEX: Wickepin production facility has been constructed and commissioned at or below 112.5% of budget (\$18 million) ¹	5,500,000	-	-	-
2	Project Delivery – Production: Wickepin production achieves an average production rate equal to or exceeding 20t/hour of processed kaolin during a completion test, to be conducted over a 5-day period of scheduled plant operation hours ¹	5,500,000	-	-	-
3	Revenue: Deliver operating revenue from the Wickepin plant of the amount specified or greater, as set out in the audited accounts for the period ending 30 June of the relevant Milestone.	Revenue Target	\$31.7m	\$44.8m	\$80.7m
		Rights	2,750,000	2,750,000	2,750,000
4	EBITDA: Deliver EBITDA of the amount specified or greater, as set out in the audited accounts for the period ending 30 June of the relevant Milestone.	EBITDA Target	\$5.7m	10.3m	21.4m
		Rights	2,750,000	2,750,000	2,750,000
	Total number of Performance Rights to vest across all holders (of a total on issue of 27,500,000):	11,000,000	5,500,000	5,500,000	5,500,000
	Percentage of a holder's Performance Rights to vest:	40%	20%	20%	20%

(d) Movements in unlisted options

	Period to 31 December 2023		Year to 30 June 2023	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Balance at beginning of financial period	\$0.27	168,732,813	\$0.27	167,232,813
Issue of Incentive options to directors and employees	-	-	\$0.35	1,500,000
Forfeiture of incentive options due to vesting condition not met	0.35	(750,000)	-	-
Expiry of options (November 2023)	0.25	(131,732,813)	-	-
Balance at end of financial period	\$0.34	36,250,000	\$0.27	168,732,813

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 11: COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2023, the Company has made various commitments in the sum of \$963,900 (30 June 2023: \$228,493) (excluding GST) in relation to the balance payment of the equipment at its Wickepin mine site in Western Australia. No other capital expenditure commitments have been made as at 31 December 2023 (30 June 2022: Nil).

Contractual commitments

No new contractual commitments noted as at 31 December 2023.

Contingencies

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd (Wamco) whereby the Company has agreed to pay a royalty until the earlier of 1 July 2049 and the date the Company relinquishes, surrenders or conveys to Wamco all tenements (other than L70/156 and G70/251). Details of the key terms are described in the Company's 2023 Annual Financial Report at Note 18.

There were no other contingencies noted as at 31 December 2023 (30 June 2023 Nil).

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the final two tranches relating to the share subscription agreement between the Company and Century Horse Limited were received and ordinary shares in the Company were issued: 1) on 24 January 2024, a total of 5,882,353 ordinary shares were issued; and 2) on 12 February 2024, a total of 4,349,480 ordinary shares were issued, both an issue price of \$0.17.

No other matters or circumstances have arisen since 31 December 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

NOTE 13: RELATED PARTIES

Payments to related parties

During the period ended 31 December 2023, the Company made the following payments to related parties:

- (i) director fees and superannuation of \$205,052 (2022: \$95,289)
- (ii) salary, superannuation and vehicle allowance of \$38,236 (2022: \$39,350) to a part-time sales executive, who is the daughter of the Company's executive director
- (iii) various payments detailed below to an entity controlled by the Company's executive director:
 - 1) Consulting fees - \$105,000 (2022: \$116,665)
 - 2) Royalties - \$17,413 (2022: \$7,808)
 - 3) Expense reimbursements (at cost) - \$13,695 (2022: \$37,960)
 - 4) Payment for contractors supplied - \$8,085 (2022: \$131,537)

Director Remuneration

Mr Kenneth Hall (Non-executive Director) (appointed 01 December 2023)

Term: Continuation of appointment is contingent upon successful election and re-election by shareholders of the Company at its Annual General Meeting as required by its Constitution

Fees: \$48,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to \$66,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

NOTE 14: SUBSIDIARIES

Subsidiary Name	Country of Incorporation	Ownership Percentage
WA Kaolin (Asia) Sdn. Bhd	Malaysia	100%

NOTE 15: RIGHT OF USE ASSET

	31 December 2023	30 June 2023
	\$	\$
Right of use asset – Opening Cost	92,810	-
Right of use asset - Additions	925,151	92,810
Accumulated Amortisation	(192,933)	(42,537)
	<u>825,028</u>	<u>50,273</u>

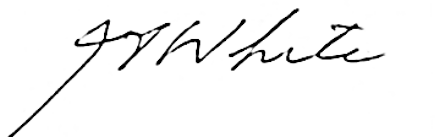
DIRECTORS' DECLARATION

In the opinion of the directors of WA Kaolin Limited (the 'Company'):

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year then ended; and
 - b. complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
2. Subject to the disclosures in note 1(h), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001



Dr John White
Chairman

Dated this 14th day of March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of WA Kaolin Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of WA Kaolin Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- i. Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(h) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is true and fair and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd



Ashleigh Woodley

Director

Perth, 14 March 2024