

September 2024 Quarterly Activities Report

Highlights

- **Sales and Marketing**

- Sales for the September quarter were 3,244 tonnes and \$672k.
- While sales dipped compared to previous quarter, additional new customers are being added each quarter.
- Forward Orders amount to 3,571 tonnes of which October accounts for approximately 1,327 tons and \$295k.
- WA Kaolin builds market presence/brand in Asia and is exhibiting in two important trade events next quarter.
- Engineered ceramic products are showing positive test results with customers and sales expected to grow in this sector.

- **Finance**

- As previously reported, in the last quarter, the Company successfully completed a placement totalling \$6.29m, with \$1.05m still expected subject to FIRB approval.
- WA Kaolin held a cash position of \$2.8m as of 30 September 2024.
- As mentioned in the 19th September 2024 update, the directors note that the forecast cash position of the company is critically dependent on the new classifier project delivering significantly greater quantities of finer products to penetrate the current tight Asian markets over the next twelve months. The cash situation will therefore be closely reviewed over the coming months. It may be that additional working capital is needed.

- **Operations**

- Mining activity is more controlled using in-house equipment and plant performance continues at >80% reliability with no lost time safety incidents. Minor process modifications continue as expected in such a new plant and include improvements to materials handling processes to minimise dust and spills.
- In addition to trimming ore costs, WAK has achieved significant reductions in energy costs and is working hard on short, medium and long term freight cost savings.

- **Classifier Project**

- The project is on time and under budget with \$2.7m of \$3.3m expended. This will allow some minor addition to scope - material transfer improvements and oversize bagging system to save labour.
- The installation of third stage classification is well advanced and will be ready for commissioning late October. It is seen as a critical step for the Company to accelerate sales in key markets by delivering significantly greater quantities of finer products to the Asian markets in the coming months and strive towards positive operating cash flow.



Figure 1: Classifiers MCC (upper level)



Figure 2: Classifiers installed ready for connection

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

Research & Development (R&D)

- The Company’s development effort to provide improved engineered ceramic grades has met with customers’ approval, and two new technical grades have been added to the product range. Sales in this sector are of higher value and are now growing steadily.
- The Company has also recommenced its study of geopolymer concrete (‘green cement’) and the use of activated kaolin (metakaolin). This project will use a lower brightness grade of ore that is not suitable in the production of the K99 products, but which has been stockpiled.
- A second round of fine grinding of paper grade kaolin has been re-scheduled to November 2024 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.

Sales

WA Kaolin’s sales for the September quarter were 3,244 tonnes and A\$672,000. While Table 1 below shows a dip in sales compared to previous quarter, the Company continues to acquire new customers each quarter. With the new classifier project nearing completion, we should see another boost in sales volumes as the finer grades of kaolin are released to the market and gain customer acceptance.

Our expectations for the coming year are for more steady increases in sales of our existing products combined with new product sales penetrating Asian markets such as China, Malaysia, Thailand and Vietnam. The finer products that will be produced after the classifier project is delivered will enable the Company to approach new customers in the paint, paper and coatings markets. The quarterly sales history is presented in Figure 3.

WA Kaolin’s entry into the paper market in China is taking shape as we have shipped a container of product to our partner in China for a full-scale trial to produce fine particle size kaolin. Post quarter these trials will be completed which will provide the basis for our agreement for on-processing fine particle size products for the paper market.

Table 1. Kaolin Sales

	Q2 FY 2024	Q3 FY 2024	Q4 FY 2024	Q1 FY 2025
Kaolin sales (dmt)	3,948	2,777	3,398	3,244
Revenue from sales (\$)	\$821,436	\$595,103	\$772,000	\$672,000

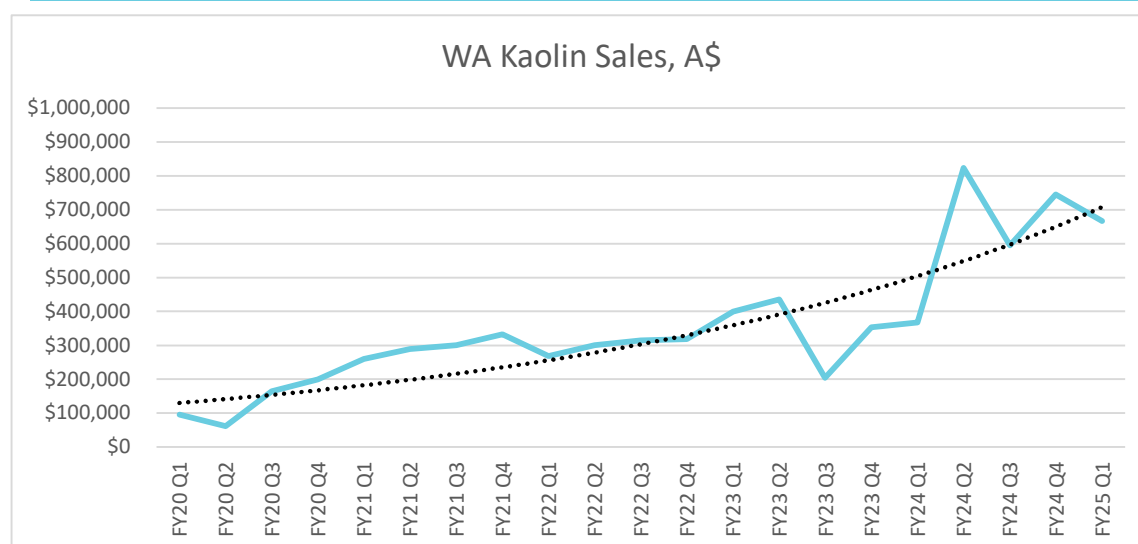


Figure 3 – Quarter sales volume

WA Kaolin continues to build its market presence and brand in Asia and in the coming quarter the company will host booths at two important trade events. The first is at the ChinaCoat Expo in Guangzhou which centres the paint and coating market followed by the Asean Ceramics Expo in Ho Chi Minh City, Vietnam. The Company's new grades of kaolin are building momentum with sales of the Company's new technical grade (Kaosil) continuing to increase. Also, the customer evaluations of the new engineered clays are nearing completion for EC-SAN (Premium Ceramic Grade for Sanitaryware) and EC-PLA (Premium Ceramic Grade for Tableware).

Financial Details

As of 30 September 2024, WA Kaolin held a cash position of \$2.8 million. The Company successfully completed a placement and SSP totalling \$6.29m, with \$1.05m still expected subject to FIRB approval.

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

In accordance with Listing Rule 5.3.2, the Company advises that it spent approximately \$0.81m during the quarter on production costs, largely related to cost of gas and diesel (\$0.39m), and freight costs (\$0.29m). No funds were spent during the quarter on mine development costs, as this cost was expended in previous quarters.

The Company continues to incur operating costs associated with its research and development (R&D) activities, which are eligible for claims under the Australian Government's R&D Tax Incentive scheme. The Company will begin reviewing its R&D activities for the last financial year, along with the associated costs, in order to assess its eligibility for an R&D tax offset. This process is expected to result in a tax benefit to be received later in the year, supporting the Company's ongoing innovation and growth strategy.

In accordance with Listing Rule 5.3.5, \$191,605 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$36,446
- 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): \$16,479
- Fees paid to the managing director in lieu of salary: \$49,000 (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): \$3,067
- 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): \$46,354

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.

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")

30 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	860	860
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(807)	(807)
	(d) staff costs	(834)	(834)
	(e) administration and corporate costs	(480)	(480)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid	(12)	(12)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	594	594
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(673)	(673)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1,032)	(1,032)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	32	32
	(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	(1,000)	(1,000)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,939	3,939
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	(116)	(116)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(82)	(82)
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	3,741	3,741

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	720	720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(673)	(673)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,000)	(1,000)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,741	3,741

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	13	13
4.6	Cash and cash equivalents at end of period	2,801	2,801

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	2,801	720
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)	2,801	720

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	145
6.2	Aggregate amount of payments to related parties and their associates included in item 2	46
<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	Amount drawn at quarter end
		\$A'000	\$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 (unsecured).		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(673)
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)	(673)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,801
8.5	Unused finance facilities available at quarter end (item 7.5)	350
8.6	Total available funding (item 8.4 + item 8.5)	3,151
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.68
	<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: N/A	
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: N/A	
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: N/A	
	<i>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.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 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.