

31 January 2025

December 2024 Quarterly Activities Report

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

Highlights

Operations

- The Company is pleased to confirm that the final quarter of 2024 saw a real turning point reached in its operations. This was largely due to the successful commissioning of the classifier project, which came in on time and under budget.
- The three objectives of the project have been achieved beyond expectations, being 1) finer products, 2) higher production rates, and 3) improved yield.
- With this productive capability in place, the Company can now deliver a full suite of products into a growing order flow.
- With sales orders growing, production capability in place, the path to profitability is more certain.

Sales and Marketing

- Sales for the December quarter were 3,705 tonnes for revenue of \$837k
- Forward orders amount to 5,780 tonnes of which January accounts for approximately 936 tonnes and \$226k
- The Company exhibited at the Guangzhou ChinaCoat expo in early December was very successful with strong demand identified for the new finer kaolin grades.
- Customer uptake of the new engineered clay products and the technical grades is gaining momentum.

Finance

- The Company held a cash position of \$1.12m as of 31 December 2024
- The FIRB approval of Stanco’s \$1.05m (ASX Announcement 1st May 2024) remains outstanding.
- The Company’s major shareholders have agreed to support the Company with its equity capital requirements moving forward.
- The Company intends to launch an equity capital raising on Monday 3rd February.

Operations

- The two new classifiers have each achieved 15 tonnes per hour, the total of 30 tonnes per hour is 20% above the plant nameplate of 25 tonnes per hour and further increases are expected as the Company fine tunes them. This means that the implementation of the second train can be deferred depending on all plant systems before and after the classifiers being optimised to match the classifier capacity.
- Subject to further market evaluation, it has become apparent that the product emerging from the classifiers can be made fine enough to obviate the need for a wet processing plant to become suitable for the paint and paper markets.
- In addition to the efficiency improvements brought by the classifiers, the quarter has seen operating costs reduced through successful negotiations with the Company's energy suppliers and by combining some operating roles, at least until volumes reach 8,000 tonnes per month (100,000 tpa). Specifically, the logistics role was absorbed by the operations manager, the safety role by the technical supervisor and drilling, excavation and ore transfer were added to the mobile plant operators' role.
- The team has identified several low-cost incremental plant improvements that will further enhance the production profile and will implement those as funds permit and in line with confirmed sales growth.
- The Company is committed to operating without accidents and injuries and remains focussed on continuous improvement of safety awareness and working conditions.

Research & Development (R&D)

- Successful R&D efforts have led to two new engineered clay grades being launched into the ceramics market. With provisional specifications applied, the two products are EC-SAN for sanitary ware and EC-PLA for tableware and other applications where plasticity is important.
- R&D is also assisting marketing efforts to have finer grades approved for the paper and paint markets.
- First results of characterising the Company's kaolin for geopolymers concrete applications ('green cement') are encouraging, with efforts proceeding with a consulting group and Curtin University into 2025.

Sales

WA Kaolin's sales for the December quarter were 3,705 tonnes for revenue of A\$836,904. The Company has commenced the customer roll out of the finer grade kaolins made possible by the classifier project and already has forward orders in hand for the new, finer fibreglass grade. In the two weeks since the Christmas break, the Company has shipped 26 containers, and the current forward order book stands at circa 5,000 tonnes.

The installation of the new classifiers at Wickpin has opened a new chapter for WA Kaolin, with the active pursuit of the above-mentioned finer product markets now possible. In December, the Company signed a letter of intent with a large distributor in the Chinese paper market. The agreement covers longer term supply and distribution agreements as well as technical cooperation for developing new products for the paper industry.

The Company has an extensive list of potential customers who have requested samples of the new coating grade kaolins which were identified during the Company's booth at the ChinaCoat Expo in Guangzhou in December.

The Company is progressing a number of major sales opportunities and in December successfully onboarded one new customer in China in the ceramics sector with an anticipated sales volume for CY2025 of 10,000 tonnes. The quarterly sales history is presented in Figure 3.

Table 1. Kaolin Sales

	Q3 FY 2024	Q4 FY 2024	Q1 FY 2025	Q2 FY 2025
Kaolin sales (dmt)	2,777	3,398	3,244	3,705
Revenue from sales (\$)	\$595,103	\$772,000	\$672,000	\$836,904

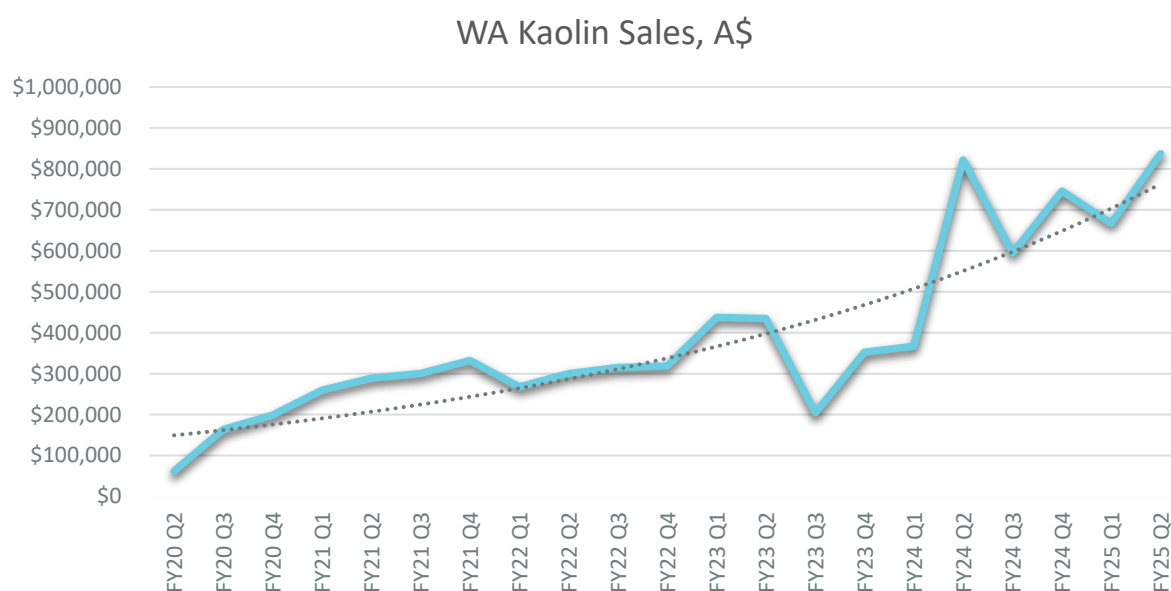


Figure 3 – Quarter sales volume

Financial Details

As of 31 December 2024, WA Kaolin held a cash position of \$1.12 million.

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 2024.

In accordance with Listing Rule 5.3.2, the Company advises that it spent approximately \$0.65m during the quarter on production costs, largely related to cost of gas and diesel (\$0.15m), and freight costs (\$0.30m). No funds were spent during the quarter on development costs, as this cost was expended in previous quarters.

In accordance with Listing Rule 5.3.5, \$284,302 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Directors' fees and superannuation: \$102,639
- 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: \$66,267 (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): \$2,522
- 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): \$72,313

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")

31 December 2024

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	892	1,752
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(651)	(1,458)
	(d) staff costs	(817)	(1,651)
	(e) administration and corporate costs	(426)	(906)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	6
1.5	Interest and other costs of finance paid	(14)	(26)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	16	610
1.8	Other (provide details if material)	18	18
1.9	Net cash from / (used in) operating activities	(982)	(1,655)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(563)	(1,595)
	(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	-	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	(563)	(1,563)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(206)	(288)
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	(206)	3,535

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,801	720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(982)	(1,655)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(563)	(1,563)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(206)	3,535

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	70	83
4.6	Cash and cash equivalents at end of period	1,120	1,120

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,120	2,801
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,120	2,801

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	212
6.2	Aggregate amount of payments to related parties and their associates included in item 2	72

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.

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.		
<p>1) Toyota Fleet Management – 6 x Hire Purchase agreements at varying fixed interest rates for mobile equipment and motor vehicle (secured)</p> <p>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).</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(982)
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)	(982)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,120
8.5 Unused finance facilities available at quarter end (item 7.5)	350
8.6 Total available funding (item 8.4 + item 8.5)	1,470
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.50
<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: 31 January 2025

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.