



WA Kaolin Limited
ABN 56 083 187 017

Annual Report
30 June 2023

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Dear Shareholders,

Welcome to the 2023 Annual Report for WA Kaolin (ASX: WAK). I am delighted to provide an overview on WA Kaolin, highlighting the Company's significant progress over the past financial year and the promising future ahead.

In September 2022, we achieved a major milestone in the Company's history with the commissioning of the Wickepin plant in the Wheatbelt region, of Western Australia. After overcoming initial challenges, we are now advancing steadily towards Stage 1 nameplate capacity of 200,000 tonnes of high-quality kaolin per annum.

Reaching this milestone is the culmination of many years of hard work and dedication which focused on unlocking this world-class kaolin resource to become a notable supplier of premium-grade product to customers across the globe.

WA Kaolin has joined the ranks of producers at an opportune time. Demand for our high-quality kaolin remains robust, with both new and existing international customers expressing a keen interest in our products. The demand from the international marketplace, often at a price premium above expectations, has been very pleasing.

With production ramp-up to Stage 1 nameplate progressing, the Company is looking ahead to its Stage 2 expansion to 400,000 tonnes per annum, which will consolidate WA Kaolin as a supplier of kaolin to our partners and customers in the Australian and international marketplace for many years to come. WA Kaolin has entered this new phase in the Company's growth with financial strength. The sale of our Kwinana property for \$7 million in June 2023 provides a significant improvement to our position. The sale facilitated favourable lease back terms and a new \$3 million debt facility, with settlement of the \$5 million debt facility tied to the Kwinana property.

Post-FY23, WA Kaolin executed a \$7.74 million placement to Stanco International Corp., our biggest off-take partner. This placement, structured at a premium price of \$0.17 per share in monthly tranches until February 2024, solidifies our relationship by lifting Stanco's equity position in WA Kaolin to 15%.

These achievements would not have been possible without a committed and diligent workforce team at both a corporate and operations level. The strategic decisions made by our board and management over the past financial year have provided a clear pathway for WAK to concentrate on the Wickepin Project's development and the generation of cash flow during the production ramp-up.

Our on-site workforce continues to grow as production increases and encouragingly WA Kaolin has attracted mainly local Wheatbelt people to fill these needs. I would like to congratulate our dedicated team in both areas for their achievements in these areas under Andrew Sorensen's leadership.

Finally, thank you to our loyal shareholders for your support during development of the Wickepin Kaolin Project and now as we ramp-up production. With a busy period ahead for WA Kaolin, we look forward to keeping you updated on our progress as the Company transitions into a cash-flow positive company and a significant contributor to the global kaolin market.

Kind regards,
John White
Non-Executive Chairman

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OPERATIONAL UPDATE

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, a Mineral Resource (JORC 2012) of 643.0 million tonnes, including an Ore Reserve Estimate of 64.9 million tonnes of kaolinised granite. The Wickepin Project produces kaolin products for tier one customers and the Company aims to expand its production to 400,000tpa in a two-stage strategy.

WA Kaolin has a two-stage ramp up strategy. Stage 1 will see the production rate optimised up to 200,000tpa followed by the second stage which will expand production to 400,000 tpa.

The Company acquired the Wickepin Project in 1999 from Rio Tinto which, through exploration, had discovered and drilled out a Mineral Resource and commissioned engineering and feasibility studies. The acquisition included the tenements covered by the Wickepin Project and all associated engineering and feasibility studies.

Since then and prior to the Company's IPO in November 2020, WA Kaolin co-founders and owners invested over \$42 million to develop and progress the Wickepin Project. Through extensive R&D of product and processes, the Company has spent significant time and funds in optimising its proprietary dry processing method for kaolin ("K99 Process") to build and extend on its success as a kaolin producer and exporter to global markets.

The project comprises a mining lease, a general-purpose lease, a miscellaneous licence, and retention licences. It is one of the largest known remaining kaolin resources in the world, and contains:

- An Ore Reserve Estimate of 64.9 million tonnes (Table 1) in the mining lease which is part of and included in;
- An Inferred Mineral Resource of 643.0 million tonnes (Table 2) of high-grade premium kaolinised granite across all tenements.

During FY2023, WA Kaolin completed commissioning of the Wickepin processing plant. Since achieving this milestone, the Company has focused on increasing production to the Stage 1 nameplate capacity of 200,000 tonnes per annum (tpa). WA Kaolin is also planning a Stage 2 expansion to 400,000tpa with further modular increases to be implemented in tune with market demand and funding capability.

Table 1. Ore Reserves by JORC Classification

JORC classification	Tonnes (Mt)	ISO brightness (%)	Yield (%) ($<45 \mu\text{m}$ 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

Table 2. Inferred Mineral Resources ($<45 \mu\text{m}$), WA Kaolin Project

	Kaolinized granite (Mt)	ISO brightness (%)	Yield (%)	Kaolin (Mt)
Total	643.0	75.8	44.0	283.0

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

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REVIEW OF ACTIVITIES

WA Kaolin's operations comprise its 100%-owned Wickepin Processing Plant and mining tenement in East Wickepin. The Wickepin processing plant has been constructed to utilise WA Kaolin's proprietary dry 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.

WA Kaolin is emerging into a globally significant kaolin producer experiencing increasing demand for its kaolin products with new customers during the year from Australia, Japan and Malaysia. During FY2023, WA Kaolin signed the biggest offtake order with its long-term customer, Stanco International. Post-FY end, Stanco strengthened its partnership with WAK, becoming a 15% shareholder following a placement of \$7.7 million at a share-price premium of \$0.17.

The Company's focus remains on establishing itself as the preferred supplier of high-grade premium kaolin products globally through:

- Construction of a scaled-up processing plant in East Wickepin, utilising the K99 Process;
- Progressively increasing 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;
- Negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties;
- investment in further processing expansion including the construction of an additional processing plant to produce product suitable for use in premium paper and packaging markets;
- Focus on research and development into new product offerings and value-added products in the kaolin market.

Review of operations

In September 2022, WA Kaolin commissioned the Wickepin Kaolin Project. This significant milestone occurred within budget despite a challenging environment in part due to the global conditions experienced during the Covid pandemic.

[Commissioning Completed at the Wickepin Kaolin Project - YouTube](#)

Following commissioning, WA Kaolin set about ramping up operations to its Stage 1 target of 200,000tpa. During May 2023, the Company introduced 24 hour/day operation as production increased to meet demand. The additional staffing requirements to support the ramp up were met by employment from local Western Australian towns, further establishing the Company's relationships with the local community as a major employer and contributor to the local economy.

WA Kaolin identified the need for a new undercover ore store to reduce drying costs and improve operational efficiency by adding capacity to store up to a three-week supply of dry ore during the wet season. The construction of the ore store was also completed within budget (of \$1 million), further emphasising strict cost controls and a focus on financial responsibility.



Figure 1 - The undercover ore store at the Wickepin Kaolin Operation

A 20kg Haver & Boecker kaolin bagging solution was commissioned in late FY2023. The equipment will provide access to premium pricing with higher margins and a larger segment of the kaolin market locally and internationally. WA Kaolin expects to have the bagging system in full production in early FY2024.



Figure 2 - 20kg bagging station at Wickepin Kaolin Operation

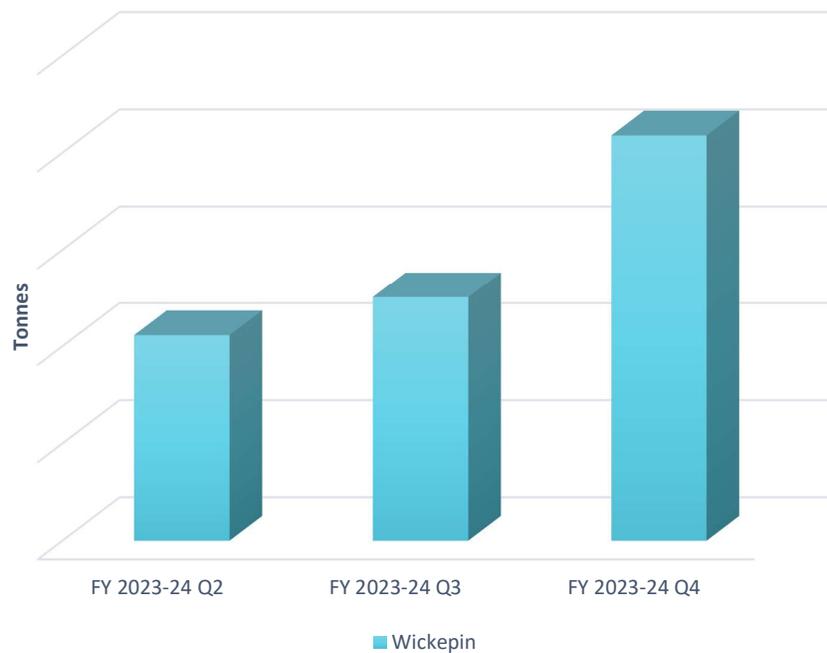
Production & Sales

During FY2023, WA Kaolin produced 4,400 tonnes of its high-quality kaolin products, achieving successive increases in each of the first three quarters following commissioning.

Table 3. Wickepin Kaolin Project Production

PRODUCTION	Q1 FY2023	Q2 FY2023	Q3 FY2023	Q4 FY 2023	YTD FY2023
Kaolin Produced and Bagged	0	1,057	1,254	2,089	4,400

K99 Kaolin Production



The prices of export container shipping from Fremantle Port eased throughout the FY, enabling WA Kaolin to offer products at lower Free Into Store (FIS) prices in Asia. This reduction in the delivered price of its kaolin products will allow the Company to penetrate further into the Asian kaolin market and boost the rapid growth of sales in the region.

Customer Service

WA Kaolin has received a significant increase of in-bound customer enquiries as major global kaolin markets look to secure new sources of supply. The increasing global appetite to diversify supply is largely due to global instability.

The Company plans to increase penetration into the ceramics market in Asia in response to growing demand for its kaolin product, which is sought after in this jurisdiction for its high purity and brightness. In June 2023, the Company exhibited at the China Ceramics 2023 Expo in Guangzhou, China to further the marketing of the Wickepin product in Asia.

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During the financial year, WA Kaolin hosted customer delegations from Asia and Europe at the Wickepin Processing Plant which provided positive feedback regarding opportunities for business development. Representatives from the Company also completed a successful visit to meet with current and prospective customers in the Asian nation.

Project Appointments

Pettsy Loo, a highly experienced kaolin marketing expert was appointed to lead a new branch to be established in Malaysia. Under Pettsy's guidance, the Company plans to attract new opportunities in the ceramics markets in Asia.

Research and development

WA Kaolin has targeted expansion into the paper market, the largest sector in the global kaolin industry. The Company's technical team has undertaken trials to produce a premium paper-grade kaolin product suitable for the paper market, with the aim of expanding the suite of products produced at Wickepin and provide an opening in this significant marketplace.

CORPORATE

Capital Raising

During the Financial Year, WA Kaolin completed a capital raising comprising a \$5.0 million placement of new shares, a \$1.0 million converting loan and a \$0.79 million Share Purchase Plan (SPP) to eligible shareholders.

Equity Raising

The placement comprised a single tranche share placement of 33,333,333 fully paid ordinary shares ("New Shares") at an issue price of A\$0.15 per New Share to sophisticated, professional and other institutional investors in Australia to raise A\$5.0 million (before costs). The issue price represented a 11.8% discount to last closing price of \$0.17 as at 24th November 2022 and a 10.7% discount to the 5-day trading Volume Weighted Average price of A\$0.168.

The New Shares were issued through the Company's available placement capacity pursuant to ASX Listing Rule 7.1.

A subsidiary of Stanco International, WA Kaolin's offtake partner and existing shareholder, committed to \$1.3 million in the Placement.

Converting Loan

The Company's executive director, Alf Baker, and CEO Andrew Sorensen subscribed to a \$1.0 million Converting Loan. This Converting Loan automatically converted to ordinary shares at an issue price of \$0.15, upon obtaining approval from the Company's shareholders at a general meeting held in May 2023.

Share Purchase Plan

Eligible shareholders with a registered address in Australia or New Zealand at 4.00pm (WST) on 28 November 2022 were also invited to participate in the SPP at the same issue price as the Placement (A\$0.15 per New Share).

Key terms of the SPP included:

- Up to \$30,000 per eligible shareholder, across all of their holdings
- WA Kaolin intended to raise up \$1.5 million (the Board having the right to reject or scale back applications at its absolute discretion or to increase the amount raised).

The SPP was not underwritten. The SPP closed with applications received for 5,266,700 shares, raising \$790,000.

Sale of Kwinana Property

In June 2023, WA Kaolin signed an offer for the sale of its Kwinana property, excluding the plant and equipment on site, which remains the property of WA Kaolin. The \$7 million sale of the Kwinana property to Coogee Chemicals Pty Ltd settled after 30 June 2023.

The result of the sale significantly strengthened the Company's cash position and balance sheet and reduced the Company's overall debt position to \$23.4 million (\$20.4m of which is to the company founders).

As part of the sale, WA Kaolin secured excellent lease back terms with the purchaser, which facilitates the use of the Kwinana property for the next three years, providing stability and continuity for its ongoing operations at the site.

Significantly, the lease agreement provides for a "peppercorn" (\$1 per annum) rent over the term, in exchange for providing the purchaser with access to park vehicles, tanks and equipment on a section of the property. The existing \$5 million debt facility provided by Boneyard Investments Pty Ltd, which was secured against the Kwinana property, was repaid after 30 June 2023, contemporaneous with the settlement of the sale of the property.

As part of the sale agreement executed, WA Kaolin established a new \$3 million debt facility with Boneyard Investments Pty Ltd under the following terms and conditions:

- Term of 3 years, then repaid in full
- Can be repaid in part during the Term – minimum of \$300,000 per each repayment
- Interest rate is 8% per annum compounded quarterly
- Interest to accrue for the first 18 months, the amount accrued, added to the principal loan and then, going forward the interest due is to be paid quarterly
- If the principal and accrued interest are not repaid by the end of the Term, the Purchaser has the option to convert the balance into shares in WAK at 20% below VWAP market share price, being the average WAK trading price for the period 60 days prior to end of term. WAK is required to advise the Purchaser 60 days prior to end of term if it would like the Purchaser to consider the option to convert and not repay the loan. The conversion to Company shares will be subject to shareholder approval
- If the Purchaser does not plan to exercise the share option, it is required to advise WAK 30 days prior to the end of the term.

The sum total of the sale of the Kwinana property and new debt arrangement yielded a net improvement in the Company's cash position of \$5m.

Significant events after reporting date

In August 2023, WA Kaolin announced an expanded offtake agreement with major offtake partner, Stanco International Corp., which involved Stanco becoming a major shareholder of WA Kaolin by increasing its equity position in WAK to 15% with a \$7.74 million placement, conducted at a 23.7% premium to the 10-day VWAP. The terms of the agreement are:

Subscription Agreement: Stanco will, subject to Company shareholder/FIRB approval (if required), subscribe for and be issued with 45,525,951 fully paid ordinary shares of WA Kaolin at an issue price of \$0.17 per share, for a total investment of \$7,739,411. This transaction will result in Stanco holding a 15% stake in WA Kaolin.

Subscription Tranches: An initial subscription for 11,764,706 shares for \$2,000,000 will be paid up front as part of agreement in mid-August 2023, followed by five monthly tranches of 5,882,353 shares for \$1,000,000 each. The final tranche of 4,349,480 shares for \$739,411.67 is scheduled for February 2024. Shares are being issued under the Company's placement capacity pursuant to Listing Rules 7.1 and 7.1A (18,405.392 shares and 27,120,559 shares, respectively).

Voluntary Escrow Deed: Stanco International has voluntarily entered into an escrow deed, binding them to hold their WA Kaolin subscription Shares for a period of 36 months from the date of their subscriptions.

Board Seat: Stanco will be entitled to nominate a member to the Board of WA Kaolin on completion of the subscription, subject to Stanco maintaining a minimum 15% equity position in the Company.

Existing Offtake Agreement: As documented in the Company's Prospectus in late 2020, the Company had formalised an offtake agreement with Stanco in May 2020 for the supply of 338,000 tonnes of kaolin over a six-year period. Stanco's investment bolsters their determination to exceed the existing offtake/distribution agreement volumes by targeting additional strategic markets within the Asia-Pacific region.

About Stanco International Corp.

Stanco International Corp. is a renowned distributor of premium quality raw minerals with a strong presence in the fibreglass, glassware, ceramic, papermaking, electric wire and cable, and iron and steel industries across the Asia Pacific region. The company's corporate headquarters are in Taipei, Taiwan, with a head office in Shanghai, China, and local offices in HCMC, Vietnam, and several other countries. Stanco boasts an extensive distribution network, including local warehouses in China, Taiwan, Vietnam, and other APAC countries, ensuring efficient service to its valued customers.

The partnership between WA Kaolin and Stanco is built on a long-standing relationship, with Stanco being the largest off taker for WA Kaolin. This agreement not only deepens the collaboration but also reflects a shared vision of fostering a strong and prosperous partnership.

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CORPORATE INFORMATION

ABN 56 083 187 017

Directors

Dr John White (Non-Executive Chairman)
Mr Alfred Baker (Executive Director)
Ms Cathy Moises (Non-Executive Director)
Mr Patrick Walta (Non-Executive Director)
Mr Cameron Baker (Alternate)

Chief Executive Officer

Mr Andrew Sorensen

Company secretary

Mr Michael Kenyon

Registered office

Lot 3, Ward Road
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

Automic 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

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DIRECTORS' REPORT

The directors of WA Kaolin Limited (the "Company") submit the financial report for the year ended 30 June 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
 Mr Patrick Walta (appointed 1 October 2022)
 Mr Linton Putland (resigned 19 September 2022)
 Mr Rodney Baxter (resigned 19 September 2022)
 Mr Cameron Baker (Alternate)

Directors' Information

Dr John White (Non-Executive Chairman)

Dr White has been a director and/or CEO of several publicly listed and private Australian companies. Dr White is formerly the Chairman of the Federal Government's Uranium Industry Framework Council, a member of the Federal Government's Defence Procurement Board and Director of the DefenceSA Advisory Board.

Dr White had extensive involvement with Woodside's North West Shelf Offshore Gas and LNG Development from 1978 to 1984, and then participated in the RAN Collins Class Submarine Project tender as Project Director for the Australian-German owned AMEC proposal.

Dr White was CEO of Transfield Defence Systems Pty Ltd from 1988 to 1996 and then Global Chief Executive of the recycling/packaging group, Visy Industries. He is currently Chairman of Regenerative Australian Farmers Pty Ltd and Birdon Pty Ltd.

Qualifications: BE(Hon), PhD

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chairman of Board of Directors, Member of Remuneration Committee

Interests in shares: None

Interests in options: 3,000,000

Interests in performance rights: None

Mr Alfred Baker (Executive Director)

Mr Baker has an engineering background with more than 40 years' experience in process technology and is co-founder of WA Kaolin. He is an experienced and successful businessman, authoring several patents and designs during his extensive career.

Since 1996, Mr Baker has founded and directed a number of companies, including:

- EMC Pacific Aust Pty Ltd (EMCPA), Australia's only manufacturer of power distribution insulators. EMCPA has formed a joint venture to commence manufacture of its products in USA, commencing April 2020.
- Pacific Polymers, a mineral treatment plant operating in Dandenong, Victoria, using patented technology.

Mr Baker was Managing Director of the highly successful PQ Australia (PQA) from 1976 to 1996, which he co-founded with his brother. PQA produces the inorganic chemical, Sodium Silicate, in both glass and liquid form, and the patented valuable downstream product 'Q-Cel' hollow microspheres.

In all cases, innovation, hands on determination and training of younger executives have led to success and low-cost producer status.

Mr Baker is also charged with the overall responsibility, as project director, of the Company's Wickepin mine development.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Executive Director

Interests in shares: 53,083,574

Interests in options: 13,200,000

Interests in performance rights: 7,920,000

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DIRECTORS' REPORT (continued)*Ms Cathy Moises (Non-Executive Director)*

Ms Moises has worked for a number of the most prominent stock broking firms within Australia including Merrill Lynch, Citigroup, Evans and Partners (as a partner) and most recently worked as Head of Research for Patersons Securities.

Ms Moises has a Bachelor of Science (Hons) Geology in addition to a Securities Institute of Australia Diploma of Finance and Investment and has over 30 years' experience working within the resources industry primarily as a financial analyst. She has extensive capital markets, company management, financial analysis and Institutional Investor engagement experience.

Qualifications: BSc (Hons), GDAFI

Other current directorships: Arafura Resources Limited, Australian Potash Limited, Podium Minerals Limited, and PacGold Limited

Former directorships (last 3 years): Pearl Gull Limited

Special responsibilities: Chair of Remuneration Committee

Interests in shares: 1,250,000

Interests in options: 3,375,000

Interests in performance rights: None

Mr Patrick Walta (Non-Executive Director) (appointed 1 October 2022)

Mr Walta is a qualified metallurgist, mineral economist and board executive and is principal of Stoker Consulting. In 2009, Mr Walta co-founded the Raging Bull Group of entities, targeting acquisitions and economic rehabilitation of historic mine sites. Patrick was previously Managing Director of New Century Resources Limited (ASX: NCZ), which he founded in 2017 following the successful negotiation and acquisition of the Century Zinc Mine in Queensland. Under Patrick's leadership, the Century Zinc Mine was successfully restarted, commissioned and ramped up to be the 13th largest zinc producer worldwide. Prior to this he held corporate and senior management roles in Rio Tinto, Citic Pacific Mining, Cradle Resources, Carbine Resources, Primary Gold and Clean TeQ. Throughout his career Patrick has received many industry accolades including the MNN Emerging Leader of the Year Award in 2018 and the Young Achiever of the Year award in 2015 at the Australian Mining Prospect Awards. He is a Graduate Member of AICD.

Qualifications: Bachelor Chemical Engineering, Master of Science (Mineral Economics), Diploma of Project Management

Other current directorships: None

Former directorships (last 3 years): New Century Resources Limited

Special responsibilities: Member of Remuneration and Disclosure Committees

Interests in shares: None

Interests in options: 1,500,000

Interests in performance rights: None

Mr Linton Putland (Non-Executive Director) (resigned 19 September 2022)

Mr Putland holds degrees in Mining Engineering (Bachelor of Engineering, Western Australian School of Mines) and a Masters in Science (Mineral Economics, Western Australian School of Mines) with more than 30 years' experience in mining operations, joint ventures and corporate management in Australia, Africa and the Americas, over a wide range of commodities.

Mr Putland is principal of LJ Putland & Associates, a private mining consultancy company which was founded in 2002, providing advisory and consultancy services in mining project and company evaluation and due diligence appraisals with a focus on corporate growth. During this period, he has also been Managing Director of a privately-owned exploration company with joint venture interests in Africa.

Prior to this he held corporate and senior management roles in IAMGOLD, AurionGold, Delta Gold and Pancontinental Mining. He is a Member of AusIMM and a Graduate Member of AICD.

Qualifications: B Eng (Mining), MSc (Min Economics)

Special responsibilities: Formerly member of Remuneration Committee and chair of Disclosure Committee

Interests in shares: None

Interests in options: 1,500,000

Interests in performance rights: None

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DIRECTORS' REPORT (continued)*Mr Rod Baxter (Non-Executive Director) (resigned 19 September 2022)*

Mr Baxter is a seasoned director and business executive with extensive international and multi-sector experience and was appointed on 15 March 2022. He has a track record in executing business turnarounds and delivering substantial company growth strategies through organic, acquisitions, and IPO's.

Mr Baxter's leadership roles include Managing Director of listed and private companies in the Mining Resources, Engineering and Construction, and Manufacturing industries.

Qualifications: BSc (Hons), PhD, and MBA qualifications

Special responsibilities: Formerly member of Remuneration Committee

Interests in shares: None

Interests in options: None

Interests in performance rights: None

Mr Michael Kenyon (Company Secretary)

Mr Kenyon has held senior roles with both private and ASX-listed corporations over the past 25 years. He holds a Bachelor of Business degree from Edith Cowan University, is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

He commenced his finance career with roles at then 'Big 6' professional services firms, Ernst & Whinney and Price Waterhouse before joining diversified industrial company, Vysarn Pty Ltd in 1997 as Chief Financial Officer.

Since that time, Mr Kenyon has held CFO roles with ASX-listed Forge Group Ltd, Matrix Composites and Engineering Ltd and is currently also the CFO for Resource Development Group Ltd. He is also a non-executive of a leading Catholic aged care and community services provider in Perth, Western Australia.

Interests in shares: 329,525

Interests in options: 1,210,938

Interests in performance rights: None

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Eligible to attend	Remuneration Committee	Disclosure Committee
Number of meetings held:	16	16	1	1
Number of meetings attended:				
Mr Rod Baxter	3	3	-	-
Dr John White	15	16	1	-
Mr Alfred Baker	16	16	-	-
Ms Cathy Moises	16	16	1	-
Mr Linton Putland	3	3	-	1
Mr Patrick Walta	10	11	1	-
Mr Cameron Baker	1	16	-	-

DIRECTORS' REPORT (continued)

Review of operations

The Company's operations for the financial year resulted in a loss after tax of \$3,749,841 (2022: \$7,551,269). The loss includes an interest expense of \$2,651,406 (2022: \$1,945,962) and a reversal of the significant non-cash expense for share-based payments of \$2,200,000.

The Company is sole owner of a mining lease, a general-purpose lease, a miscellaneous licence and retention licences which comprise the Wickepin Kaolin Mine. The mine, which is one of the largest known remaining primary kaolin resources in the world, contains an Ore Reserve of 30 million tonnes which is included in a Mineral Resource (reported in accordance with JORC 2012) of 644.5 million tonnes of high-grade premium kaolinized granite. The Company has now commenced operation of the Wickepin processing plant and associated infrastructure and equipment.

The Company also has some minor operations in a leased facility previously owned by the Company, in East Rockingham, Western Australia. It operates a small-scale production plant producing various beneficiated kaolin products as well as conducting a number of research and development activities.

In May 2020, the Company formalised an offtake agreement with one of its key customers, Dak Tai Trading Limited, for the supply of 338,000 tonnes of kaolin. It also has in place informal arrangements with other key distributors and customers which further support the Company's targeted production of kaolin.

WA Kaolin is also currently exploring a novel low capex processing method for premium fine particle size kaolin, which may utilise the kaolin processed via the K99 Process as feedstock instead of raw ore. The Directors consider that this novel processing method could significantly lower the cost of entering the premium paper and packing market.

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

- Completing its scaled-up processing plant in East Wickepin, utilising the K99 Process;
- progressive increase in production to circa 200,000 tonnes per annum;
- expansion of production capacity at the Wickepin plant to 400,000 tonnes per annum through the installation of a second stage of production equipment on a date yet to be determined;
- negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties; and
- investment in further processing expansion including the construction of an additional wet processing plant to produce product suitable for use in premium paper and packaging markets and/or an expansion program for the construction of an additional processing plant to significantly increase production capacity utilising the K99 Process.

The Company was admitted to the Official List of ASX Limited on 24 November 2020 and its ordinary shares subsequently officially quoted on 26 November 2020.

Going Concern

See note 1(b) for an assessment of the Company's ability to continue as a going concern.

Principal Activities

The principal activities of the Company were the exploration and development of an Inferred Mineral Resource of high-grade premium kaolinised granite, proprietary production and value-adding processes.

Significant events after reporting date

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.

On 1 August 2023, the Company secured capital through a contractual arrangement with Century Horse Limited, an existing shareholder, involving the placement of Company shares in seven monthly tranches at a subscription price of 17 cents per share. The amount of equity raised will be approximately \$7.7m.

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results

As of June 30 2023, the Company's operations at its Wickepin Processing Facility are still in the development phase.

DIRECTORS' REPORT (continued)

Risk management

The Company's activities have inherent risks and the Board is unable to provide certainty of the expected results of its activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Company that could influence the its future prospects, and how the Company manages those risks, are outlined below.

Operational risks

The Company's activities include mining and supply of kaolin products, which are subject to operating risks that could impact the amount and quality of kaolin produced or increase the cost of production for varying lengths of time. Such difficulties include: increased costs of mining, processing, loading and equipment failures; safety incidents and accidents; freight capacity constraints; and a shortage of labour. If any of these or other conditions or events occur in the future, they may increase the cost of the Company's activities, which could adversely affect the Company's results or decrease the value of its assets. The Company has in place a framework for the management of operational risks and an insurance program which provides coverage for a number of these operating risks.

Kaolin prices and foreign exchange

As a significant portion of the Company's kaolin products are exported overseas, prices may fluctuate and may be affected by a number of factors beyond the control of the Company. Potential future production from the Company's mining tenements will be dependent upon the sustainable price of kaolin. The Company has certain agreements and orders with various customers including those in Australia and overseas. The Company's financing is denominated in Australian dollars and most of any future development and operational activities are also denominated in Australian dollars. A significant portion of its sales revenue will be dominated in US dollars and the Company's ability to fund activities and make debt repayments maybe adversely affected if the Australian dollar rises against the US dollar. The Company has a hedging policy in place and will undertake hedging of its foreign exchange risks to alleviate any pressure this may cause.

The Company's activities may require further capital

The further development of the Company's mine and mine plant , as well as any working capital needs may require additional funding. Whilst current funding levels are deemed to be appropriate, there can be no assurance that additional capital or other types of financing will be available if needed for development and operations or that, if available, the terms of such financing will be favourable to the Company.

Global financial conditions may adversely affect the Company's growth and profitability

Many industries, including the mineral resources industry, are impacted by these market conditions. Although there have been some adverse effects felt from the COVID-19 pandemic, other issues such as inflationary pressures and global geopolitical tensions may result in contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities. If these increased levels of volatility were to continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected.

Environmental regulations

The Company is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year (2022: \$Nil).

Remuneration report (Audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2023. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- Remuneration policy
- Key management personnel emoluments
- Service agreements
- Options granted as part of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)**Directors and Key Management Personnel ("KMP")

Dr John White	Non-Executive Chairman
Mr Rod Baxter	Non-Executive Director (resigned 19 September 2022)
Mr Linton Putland	Non-Executive Director (resigned 19 September 2022)
Ms Cathy Moises	Non-Executive Director
Mr Alfred Baker	Executive Director
Mr Patrick Walta	Non-Executive Director (appointed 01 October 2022)
Mr Cameron Baker	Alternate Director
Mr Andrew Sorensen	Chief Executive Officer
Mr Michael Kenyon	Chief Financial Officer / Company Secretary

Remuneration Policy

The Company does not yet have a formal remuneration policy however any remuneration has been designed to align directors' objectives with shareholders and business objectives and is in line with the market. The Board of the Directors (the Board) believes this approach to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the business, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members of the Company is as follows:

The Board is responsible for determining and reviewing the compensation of the directors and the executive directors are responsible for determining and reviewing the remuneration of senior executives. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. The Board of Directors assesses market rates and seeks the advice of external advisers, where necessary, in connection with the structure of remuneration packages. The Board also recommends levels and form of remuneration for non-executive directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting. The Company has not used a remuneration consultant.

There is no direct relationship between the Company's Remuneration Policy and its performance. However, in determining the remuneration to be paid in each subsequent financial year, the Board may have regard to the following indicators of performance in respect of the current financial year and the previous financial years:

	2023	2022	2021	2020	2019	2018
Net loss after tax	\$3,749,841	\$7,551,269	\$20,673,297	\$5,162,653	\$1,415,031	\$1,855,387
Share price	\$0.13	\$0.205	\$0.200	N/A	N/A	N/A
Basic loss per share (\$ per share)	\$0.01	\$0.03	\$0.09	\$0.04	\$0.01	\$0.07
Dividend	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at a General Meeting held on 29 November 2019 when shareholders approved an aggregate remuneration of \$350,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the way it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

CEO and executive director remuneration

Remuneration currently consists of fixed remuneration with a small discretionary short-term incentive when appropriate.

DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Remuneration Policy (continued)**

Compensation levels for executives of the Company are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures consider:

- The capability and experience of the executive;
- The executive's ability to control the company's performance; and
- The Company's performance including:
 - (a) The Company's earnings; and
 - (b) The growth in share price and delivering constant returns on shareholder wealth.

Key Management Personnel Emoluments

The Company's policy for determining the nature and amount of emoluments of key management personnel is that key management persons are to be paid by salaries or consulting fees at commercial rates for professional services performed.

Details of the nature and amount of each element of the emoluments of each key management person of the Company are set out in the following tables:

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Key Management Personnel Emoluments (continued)**

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total	Performance related
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options/rights		%
2023	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Executive Director:</i>									
Mr A Baker*	231,664	-	-	-	-	-	(1,056,000)	(824,336)	(128)
<i>Total Executive Director</i>	<i>231,664</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,056,000)</i>	<i>(824,336)</i>	<i>(128)</i>
<i>Non-Executive Directors:</i>									
Dr J White	72,000	-	-	7,560	-	-	-	79,560	-
Ms C Moises	48,000	-	-	5,040	-	-	-	53,040	-
Mr R Baxter***	12,000	-	-	1,260	-	-	-	13,260	-
Mr Patrick Walta	36,000	-	-	3,780	-	-	-	39,780	-
Mr L Putland****	12,000	-	-	1,260	-	-	-	13,260	-
<i>Total Non-Executive Directors</i>	<i>180,000</i>	<i>-</i>	<i>-</i>	<i>18,900</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>198,900</i>	<i>-</i>
<i>Executives</i>									
Mr A Sorensen (CEO)**	240,000	5,000	-	25,725	-	-	(88,000)	182,725	(48)
Mr M Kenyon (CFO/ Company Secretary)	124,690	-	-	-	-	-	-	124,690	-
<i>Total Executives</i>	<i>364,690</i>	<i>5,000</i>	<i>-</i>	<i>25,725</i>	<i>-</i>	<i>-</i>	<i>(88,000)</i>	<i>307,415</i>	<i>(29)</i>
Total	776,354	5,000	-	44,625	-	-	(1,144,000)	(318,021)	(360)

* Mr Baker's salary and fees includes \$24,000 of director fees. Share-based expenses previously taken up in FY22 relating to performance rights, have been reversed in FY23 as the targets were not met.

** Payment of bonus to Mr. Sorensen was at the Board's discretion and not subject to any specific performance condition. Share-based expenses previously taken up in FY22 relating to performance rights, have been reversed in FY23 as the targets were not met.

*** Mr Baxter resigned as non-executive director on 19 September 2022

**** Mr Putland resigned as non-executive director on 19 September 2022

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Key Management Personnel Emoluments (continued)**

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total	Performance related
	Cash salary and fees	Cash bonus	Non-monetary***	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options		
2022	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Executive Director:</i>									
Mr A Baker*	339,000	-	-	-	-	-	1,056,000	1,395,000	76
<i>Total Executive Director</i>	<i>339,000</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1,056,000</i>	<i>1,395,000</i>	<i>76</i>
<i>Non-Executive Directors:</i>									
Dr J White	72,000	-	-	7,200	-	-	-	79,200	-
Ms C Moises	48,000	-	-	4,800	-	-	-	52,800	-
Mr R Baxter***	14,261	-	-	1,426	-	-	-	15,687	-
Mr L Putland	48,000	-	-	4,800	-	-	-	52,800	-
<i>Total Non-Executive Directors</i>	<i>182,261</i>	<i>-</i>	<i>-</i>	<i>18,226</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>200,487</i>	
<i>Executives</i>									
Mr A Sorensen (CEO)**	288,000	5,000	11,550	28,800	16,795	-	88,000	438,145	20
Mr M Kenyon (CFO/ Company Secretary)	129,550	-	-	-	-	-	-	129,550	-
<i>Total Executives</i>	<i>417,550</i>	<i>5,000</i>	<i>11,550</i>	<i>28,800</i>	<i>16,795</i>	<i>-</i>	<i>88,000</i>	<i>567,695</i>	<i>15</i>
Total	938,811	5,000	11,550	47,026	16,795	-	1,144,000	2,163,182	53

* Mr Baker's salary and fees includes \$24,000 of director fees

** Payment of bonus to Mr. Sorensen was at the Board's discretion and not subject to any specific performance condition

*** Mr Baxter was appointed on 15 March 2022 as non-executive director

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Service Agreements****Non-Executive Directors**

On appointment to the Board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the directors are also formalised in the letter as summarised below:

Dr J White (Chairman)

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: \$72,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to \$96,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

Ms C Moises (Non-executive Director)

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

Mr L Putland (Non-executive Director) (resigned 19 September 2022)

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

Mr R Baxter (Non-executive Director) (resigned 19 September 2022)

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

Mr P Walta (Non-executive Director) (appointed 1 October 2022)

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

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Service Agreements (continued)****Executive Director**

On appointment to the Board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the directors are also formalised in the letter as summarised below:

Mr A Baker (Executive Director)

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: \$24,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to \$33,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

In addition, Mr Baker is engaged as a consultant to the Company, through a related entity of his (Wamco Industries Pty Ltd), by way of a Consultancy Deed with the following terms and conditions:

Term: Open-ended

Fees: \$23,333 effective from 1st Jan 2021 per month (exclusive of GST).

Reduced to \$11,668 effective from 1st Feb 2023 per month (exclusive of GST).

Termination: 6 months with no reason; immediately upon certain adverse events.

Management

The Company's management are employed under an Executive Employment Contract and a Contract Services Agreement, respectively, as detailed below:

Mr A Sorensen (CEO)

Commencement date: 1 October 2019

Total remuneration package: Base salary \$240,000 plus superannuation per annum. Remuneration to be reviewed annually by the Board.

Notice period: 3 months by either party

Restraint area/period: Australia / 36 months

Mr M Kenyon (CFO/Company Secretary)

Commencement date: 4 June 2019

Fees: \$1,300 per day (or part thereof) from commencement date

Updated to \$1,350 per day (or part thereof) effective from 1 June 2022

Notice period: 8 weeks by either party

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Share-based compensation***Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Number of options granted	Grant date	Vesting date and exercisable date ²	Expiry date	Exercise price per option (\$)	Fair value per option at grant date (\$)
Mr A Baker	13,200,000	20 Nov 2020	20 Nov 2022	20 Nov 2025	\$0.35	\$0.1328
Mr J White	3,000,000	20 Nov 2020	20 Nov 2022	20 Nov 2025	\$0.35	\$0.1328
Ms C Moises	1,500,000	20 Nov 2020	20 Nov 2022	20 Nov 2025	\$0.35	\$0.1328
Mr L Putland	1,500,000	20 Nov 2020	20 Nov 2022	20 Nov 2025	\$0.35	\$0.1328
Mr A Sorensen	2,100,000	20 Nov 2020	20 Nov 2022	20 Nov 2025	\$0.35	\$0.1328
Mr P Walta ¹	1,500,000	09 Jan 2023	09 Jan 2025	09 Jan 2028	\$0.35	\$0.1120
Mr M Kenyon ²	1,000,000	20 Nov 2020	20 Nov 2020	20 Nov 2025	\$0.35	\$0.1328

¹1,500,000 Incentive options were granted to Mr Walta with a fair value of \$168,000 for the purchase of 1,500,000 ordinary shares at a price of \$0.35 for a period of five years from date of grant. The Incentive options vested immediately on the grant date.

The fair value of options was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected annual volatility	100%
Risk-free interest rate	3.42%
Expected life	5 years
Share price at grant date	\$0.17
Expected dividend yield	0%

² With the exception of Mr Kenyon's options, all other options were subject to a 24-month escrow period from 20 November 2020

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company and vested immediately. Options are exercisable by the holder as from the vesting date (for certain holders, consideration must also be given to the escrow period). There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)****Additional disclosures relating to key management personnel***Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

<i>Ordinary shares</i>	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Net change other ¹	Balance at the end of the year
Directors						
Mr A Baker	49,883,574	-	3,200,000	-	-	53,083,574
Dr J White	-	-	-	-	-	-
Ms C Moises	1,250,000	-	-	-	-	1,250,000
Mr P Walta	-	-	-	-	-	-
	51,133,574	-	3,200,000	-	-	54,333,574
Executives						
Mr A Sorensen	6,354,223	-	427,778	-	-	6,782,001
Mr M Kenyon	196,191	-	133,334	-	-	329,525
	6,550,414	-	561,112	-	-	7,111,526
Totals	57,683,988	-	3,761,112	-	-	61,445,100

Performance Rights

During the year ended 30 June 2021, the Company issued 27,500,000 Performance Rights to the chief executive, executive director and former director/founder. Each Performance Right is a right to be issued with a single ordinary share upon vesting of the Performance Right, free of encumbrances. No consideration will be payable upon the vesting or conversion of the Performance Rights. See Note 13 for milestones and conditions attached to the Performance Rights. During the year ended 30 June 2022, the Company had booked an amount of \$2.2m as a share-based payment expense, as it was reasonably certain that the hurdles relating to the first and second tranches of Performance Rights would be met. The Board has subsequently been able to review that assessment, agreed that the hurdles had not been met and subsequently reversed that expense during the year ended 30 June 2023.

The number of Performance Rights in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

<i>Performance Rights</i>	Balance at start of period	# Granted during the period	Vested and Exercised	Cancelled/ Forfeited	Balance at end of period	Value vested during the period (\$)	Maximum value yet to vest (\$)
Mr A Baker	13,200,000	-	-	(5,280,000)	7,920,000	-	1,584,000
Mr A Sorensen	1,100,000	-	-	(440,000)	660,000	-	132,000
	14,300,000	-	-	(5,720,000)	8,580,000	-	1,716,000

DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)***Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

<i>Options over shares</i>	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Directors					
Mr A Baker	13,200,000	-	-	-	13,200,000
Dr J White	3,000,000	-	-	-	3,000,000
Mr P Walta	-	1,500,000	-	-	1,500,000
Ms C Moises	3,375,000	-	-	-	3,375,000
Mr L Putland	1,500,000	-	-	-	1,500,000
	21,075,000	1,500,000	-	-	22,575,000
Executives					
Mr A Sorensen	2,100,000	-	-	-	2,100,000
Mr M Kenyon	1,210,938	-	-	-	1,210,938
	3,310,938	-	-	-	3,310,938
Totals	24,385,938	1,500,000	-	-	25,885,938

Royalty Deed

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd (Wamco), a company in which Mr. A Baker and Mr. A Sorensen all have an ownership interest.

WA Kaolin has agreed to pay a royalty to Wamco until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to Wamco all of the Tenements (other than L70/156 and G70/251).

WA Kaolin owes to Wamco a royalty for each quarter in which WA Kaolin either mines or sells kaolin ore ex-works, FCA or FOB or mines and processes kaolin ore to produce a kaolin product which is sold ex-works, FCA or FOB, which must be paid quarterly.

The royalty is the greater of:

- \$1.50 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin; or
- 1.5% of the price received for the sale of kaolin ore or product in a quarter.

Tonnage Royalty Deed

On 1 July 2019, a Tonnage Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd (Wamco), a company in which Mr. A Baker and Mr. A Sorensen all have an ownership interest.

WA Kaolin has agreed to pay a royalty to Wamco until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to Wamco all of the Tenements (other than L70/156 and G70/251).

The royalty is \$1.25 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin.

Royalty payments in the sum of \$25,519 (2022: \$20,376) were paid to Wamco during the year.

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DIRECTORS' REPORT (continued)**Remuneration report (Audited) (continued)**Rental Income

Mr. A Sorensen has leased his property located at 3 Central Avenue, Wickepin to the company at arm's length and received a rental income of \$20,374 (2022: \$Nil).

Director / Other Fees

Mr. A Baker and Mr. A Sorensen chose not to be paid any director / other fees during previous financial years, instead allowing the Company to accrue such amounts, to be paid at a later date as the Company's cash flow allows. Details of the amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

30 June 2023

	A Baker	A Sorensen
Opening balance	301,000	189,000
Director / Other fees	-	-
Payments	-	-
Closing balance	301,000	189,000

Related party borrowings

Mr A Baker is a director and major shareholder of the Company. During the reporting period, the Company had borrowed funds from an entity of which Mr Baker is a director and major shareholder. A conversion to equity occurred during the year in relation to one of those loans.

Details of all loans can be found in the table below:

30 June 2023

Entities associated with:	A Baker¹
Opening balance	1,150,000
Interest	-
Funds advanced	1,000,000
Converted to Equity	(1,000,000)
Funds repaid	-
Other – finance cost on related party borrowing (Note 5)	-
Closing balance	1,150,000

Entities associated with the following key management personnel are as follows:

¹ A Baker : Wamco Industries Group Pty Ltd, Wamco Industries Pty Ltd, Pacific Polymers R&D Pty Ltd, Pacific Polymers Pty Ltd, EMC Pacific Pty Ltd

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT (continued)**Shares under option**

Unissued ordinary shares of WA Kaolin Limited under option at the date of this report are as follows:

Security name	Grant date	Expiry date	Exercise price	Number under option
Unquoted options	20 November 2020	20 November 2023	\$0.25	126,732,813
Incentive options	20 November 2020	20 November 2025	\$0.35	32,000,000
Lead Manager options	20 November 2020	20 November 2023	\$0.25	10,000,000
				168,732,813

Shares issued on the exercise of options

There were no shares issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted.

Significant changes in the state of affairs of the company

During the year, the Company completed a capital raising which included \$6.79m of equity and \$3m of secured debt.

There were no other significant changes in the state of the affairs of the company throughout 2023.

Indemnification and insurance of Directors and Officers

The Company has indemnified all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

Indemnification and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 Independence

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 audit of the financial report. This Independence Declaration is set out on page 20 and forms part of this directors' report for the year ended 30 June 2023.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements. An amount of \$Nil (2022: \$Nil) was paid for non-audit services provided by entities connected to the auditor.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

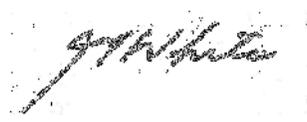
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DIRECTORS' REPORT (continued)

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of *the Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards

Signed in accordance with a resolution of the directors.



Dr John White, Chairman
Perth, Western Australia
29 September 2023

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF WA KAOLIN LIMITED

As lead auditor of WA Kaolin Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth

29 September 2023

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Continuing operations			
Revenue	3(a)	1,459,707	1,172,772
Other income	3(b)	459,831	327,340
Cost of sales		(780,255)	(863,677)
Rental expenses and outgoings	3(c)	(182,895)	(262,275)
Employee benefits expense	3(c)	(1,367,074)	(1,843,064)
Depreciation and amortisation	3(c)	(448,962)	(289,036)
Share-based payments	13(g)	2,032,000	(2,200,000)
Other expenses	3(c)	(2,278,094)	(1,665,799)
Results from operating activities		<u>(1,105,742)</u>	<u>(5,623,739)</u>
Finance income		7,307	18,432
Finance costs	3(c)	(2,651,406)	(1,945,962)
Net finance costs		<u>(2,644,099)</u>	<u>(1,927,530)</u>
Loss before income tax		(3,749,841)	(7,551,269)
Income tax (expense)/benefit	4	-	-
Loss after income tax from continuing operations		<u>(3,749,841)</u>	<u>(7,551,269)</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or losses (net of tax)</i>			
Revaluation of land and buildings	15	3,527,833	-
Total comprehensive income/(loss) for the year		<u>3,527,833</u>	<u>-</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(222,008)</u>	<u>(7,551,269)</u>
Loss per share for the period attributable to the members of the Company			
Basic loss per share (cents per share)	14	\$(0.01)	\$(0.03)
Diluted loss per share (cents per share)	14	\$(0.01)	\$(0.03)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

Assets	Notes	2023	2022
		\$	\$
Current assets			
Cash and cash equivalents	5	3,093,776	6,364,612
Trade and other receivables	6	1,104,453	817,338
Inventory	7	1,904,603	432,731
Total current assets		6,102,832	7,614,681
Non-current assets			
Property, plant and equipment	8	8,854,913	4,960,297
Mine development expenditure	9	28,395,734	20,040,107
Total non-current assets		37,250,647	25,000,404
Total assets		43,353,479	32,615,085
Liabilities			
Current liabilities			
Trade and other payables	10	2,869,113	2,145,750
Borrowings	11	14,403,316	596,532
Provisions	12	213,835	275,391
Total current liabilities		17,486,264	3,017,673
Non-current liabilities			
Borrowings	11	15,072,274	23,734,230
Provisions	12	994,451	398,062
Total non-current liabilities		16,066,725	24,132,292
Total liabilities		33,552,989	27,149,965
Net assets		9,800,490	5,465,120
Equity			
Issued capital	13(a)	48,890,169	42,300,791
Reserves	13	37,385,293	35,889,460
Accumulated loss		(76,474,972)	(72,725,131)
Total equity		9,800,490	5,465,120

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Issued capital \$	Accumulated losses \$	Asset revaluation reserve \$	Share-based payment reserve \$	Capital contribution reserve \$	Total equity \$
Balance as at 1 July 2021	33,614,901	(65,173,862)	2,318,174	13,490,359	17,880,927	2,130,499
Loss for the year	-	(7,551,269)	-	-	-	(7,551,269)
Revaluation of land	-	-	-	-	-	-
Total comprehensive loss for the year	-	(7,551,269)	-	-	-	(7,551,269)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares – Net of costs	8,685,890	-	-	-	-	8,685,890
Fair value of options	-	-	-	2,200,000	-	2,200,000
Balance at 30 June 2022	42,300,791	(72,725,131)	2,318,174	15,690,359	17,880,927	5,465,120
Balance as at 1 July 2022	42,300,791	(72,725,131)	2,318,174	15,690,359	17,880,927	5,465,120
Loss for the year	-	(3,749,841)	-	-	-	(3,749,841)
Revaluation of land	-	-	3,527,833	-	-	3,527,833
Total comprehensive loss for the year	-	(3,749,841)	3,527,833	-	-	(222,008)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares – Net of costs	6,589,378	-	-	-	-	6,589,378
Fair value of performance rights - Reversal	-	-	-	(2,200,000)	-	(2,200,000)
Fair value of options	-	-	-	168,000	-	168,000
Balance at 30 June 2023	48,890,169	(76,474,972)	5,846,007	13,658,359	17,880,927	9,800,490

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from product sales		1,505,763	1,100,265
Payments to suppliers and employees		(6,085,823)	(5,874,443)
Interest received		7,306	18,432
R&D Tax credit		422,320	286,672
Other receipts		92	65,270
Net cash outflow from operating activities	5(ii)	(4,150,342)	(4,403,804)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,093,307)	(765,411)
Mine development		(5,951,146)	(10,062,683)
Net cash outflow from investing activities		(7,044,453)	(10,828,094)
Cash flows from financing activities			
Loan interest paid		(884,914)	(722,030)
Repayment of Borrowings – Interest & Capital		(780,505)	(2,396,098)
Proceeds from Borrowings		4,000,000	5,113,036
Equity transaction fees		(200,622)	(352,970)
Issue of shares		5,790,000	9,038,860
Net cash inflow from financing activities		7,923,959	10,680,798
Cash and cash equivalents at the beginning of the year		6,364,612	10,915,712
Net increase/(decrease) in cash held		(3,270,836)	(4,551,100)
Cash and cash equivalents at the end of the year	5	3,093,776	6,364,612

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

This financial report is a general-purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers WA Kaolin Limited (the "Company"). WA Kaolin Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Lot 3 Ward Road, East Rockingham, Western Australia 6168. WA Kaolin Limited is a for-profit entity for the purpose of preparing the financial report.

The financial statements of WA Kaolin Limited for the year ended 30 June 2023 were authorised for issue in accordance with the resolution of the directors on 29 September 2023.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional currency.

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.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Comparative information

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2023

In the year ended 30 June 2023, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the company and effective for the current annual reporting period. The Directors have determined that there is no material impact of revised Standards on the company and, therefore, no material change is necessary to company's accounting policies.

New Accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern

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.

For the year ended 30 June 2023 the Company recorded a loss from continuing operations after income tax of \$3,749,841 (2022: \$7,551,269) and had net cash outflows from operating activities of \$4,150,342 (2022: \$4,403,804 and working capital deficit of \$11,383,432 (2022: working capital surplus of \$4,597,008).

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 directors have reviewed the Company's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements as at the date of this report.

The financial statements have 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 approach nameplate capacity during Q3 of FY24;
- Existing and new orders will be filled as production is ramped up during financial year 2024;
- Support from borrowers to extend \$12.635m of loans; and
- Announcement of various capital raising activities subsequent to 30 June 2023 which includes the sale of the Company's East Rockingham commercial property and establishment of a share subscription arrangement with one of the Company's shareholders, Century Horse Ltd, to raise approximately \$8m. Details of these activities can be found in Note 19.

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.

(c) Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(d) Operating segments

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.

(e) Revenue

(i) Revenue from contracts with customers

The Company requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards.

Revenue from the sale of the Company's products is recognised when control has passed to the customer upon agreed delivery terms, generally being when the product is loaded onto the transport that takes the product to ship or directly to the customer's premises, at which time a bill of lading is received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

In cases where control of the product is transferred to the customer before shipping takes place, revenue is recognised when the customer has formally acknowledged the legal ownership of the product, which includes all inherent risks associated with control of the product. In these cases, the product is clearly identified and immediately available to the customer and this is when the performance obligation is met.

Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(f) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting period end date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g., in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(i) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Land is not depreciated. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment – over 2 to 20 years

Motor Vehicle – over 4 to 6 years

Leasehold improvements – over 10 to 13 years

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(n) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Company.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or is a present obligation that arises from past events but is not recognised because either it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised. Rather, contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic benefits is remote. Contingent liabilities may develop in ways not initially expected. Therefore, they are assessed continually to determine whether an outflow of economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

(q) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Dividend

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

(t) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

- In applying this forward-looking approach, a distinction is made between:
 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
 - 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(t) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes issued by the Company comprised convertible notes that could be converted to share capital at the option of the holder. The conversion feature is contingent on an event occurring and the conversion price is fixed. Furthermore, upon conversion the holder was also entitled to free attaching options. Consequently, the note fails the fixed for fixed requirement of AASB 132 and no equity component is recognised on initial recognition. The company had elected upon initial recognition of the convertible notes (including its embedded derivatives which is the free attaching options) to recognise the whole instrument as a *financial liability carried at fair value through profit or loss*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings (continued)

On initial recognition the fair value of the convertible note equated to the proceeds received as no gain or loss on initial recognition can be recognised per the requirements of the accounting standards AASB9. The financial liability was subsequently measured at fair value at the end of the relevant reporting period and fair value movements were recognised in profit or loss as a finance cost.

The fair value of the liability took into account the value of the conversion feature (the discount and the free attaching options) and the probability of the contingent event occurring.

(u) Exploration and Evaluation Expenditure

Exploration and evaluation costs including costs of studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities along with those for general and administrative costs are expensed in the period they are incurred. Acquisition costs of acquiring are capitalised until the viability of the area of interest is determined. Those acquisition costs are carried forward when the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(v) Development expenditure

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Company in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource at an average rate yet to be determined. The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of resources may be included. Where the life of the assets is shorter than the mine life their costs are amortised based on the useful life of the assets. Amortisation will only commence on commencement of commercial production.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development expenditure (continued)

The following indicators were assessed during the FY23 to test the impairment:

- a) Decline in asset market value
- b) Significant changes with an adverse effect (technology, market, economic)
- c) Increase in interest rates
- d) Asset carrying amount exceeds market capitalisation
- e) Significant changes which may have an adverse effect (idle plant, restructure, etc)
- f) Economic performance of the asset

Significant judgements and estimates

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the impairment change is included in profit or loss.

Determining the beginning of commercial production

Judgement is required to determine when capitalisation of development costs ceases and amortisation of mine assets commences upon the start of commercial production. This is based on the specific circumstances of the project, and considers when the specific asset is substantially complete and becomes 'available for use' as intended by management which includes consideration of completion of reasonable testing of the mine plant and equipment, throughput levels at or near expected levels, the ability to produce Kaolin in saleable form and other factors such as cashflow. As of June 30, 2023, the plant remains in the developmental stage. Management will consistently evaluate its progress towards achieving full commercial production, taking into account the anticipated production increase and the goal of reaching 80% of the plant's nameplate capacity.

Restoration, Rehabilitation and Environmental Provision

Obligations associated with exploration and development assets are recognised when the Company has a present obligation, the future sacrifice of the economic benefits is probable, and the provision can be measured reliably. The provision is measured at the present value of the future expenditure to restore the land and a corresponding rehabilitation asset is also recognised.

On an ongoing basis, the rehabilitation will be remeasured in line with the changes in the time value of money (recognised as an expense and an increase in the provision), and additional disturbances (recognised as additions to a corresponding asset and rehabilitation liability).

Significant judgements and estimates

The determination of the provision requires significant judgement in terms of the best estimate of the future costs of performing the work required, the timing of the cash flows, the appropriate discount rate and inflation rate.

In relation to estimating the costs of performing the work required, significant estimates are required in relation to estimating the extent of rehabilitation activities, including volume to be rehabilitated and unit rates, technological changes, regulatory changes, timing of cash flows and appropriate discount rates.

When these estimates change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

(w) Share based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and other third parties in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not

satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(x) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received, and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

(z) Inventories

Inventories are carried at a lower of cost or net realisable value. Cost is based on weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to the existing condition and location.

(aa) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Critical accounting estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of Property, Plant and Equipment and Mine Development

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Carrying value of mine development assets

In order to assess the recoverable amount of the mine development asset, the company conducted a Definitive Feasibility Study (DFS) in 2020. The financial analysis within the DFS provides a detailed examination of the initial 12 years of project operations. However, the calculation of Net Present Value (NPV) and Internal Rate of Return (IRR) is based on the Life of Mine (LOM) concept, where the LOM assumes the depletion of the 2020 Ore Reserves. For the FY 2023, critical financial parameters related to production, sales, and gross profit were scrutinized, and these parameters align closely with the figures published in the LOM model.

Fair value of land

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Recent valuation done by third party valuer CBRE resulted in an upward adjustment to the carrying value of the land and buildings. Detailed can be found in Note 15.

Discount rate on borrowings

As some of the Company's borrowings are on interest-free terms, present value calculations have been performed on the basis of an implied 12% discount rate as determined by the directors.

Share-based payment

The Company measures the cost of equity-settled transactions with employees and convertible noteholders by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 13 for further information on milestone details.

Contingent liabilities

The Company has assessed that the Royalty Deed entered into with Wamco Industries Group Pty Ltd and has determined that this represents a contingent liability. This is on the basis that the royalty is only payable if WA Kaolin either mines or sells kaolin ore or a kaolin product. At present, the Company is in the development phase of its Wickepin Kaolin Project ("Project") and the future development of the Project (and consequent royalty payments) is dependent on, amongst other things, future kaolin prices and the overall economic feasibility of the Project.

Date of commercial production

As of June 30, 2023, the plant is still in the development phase. Management will continuously assess its advancement towards attaining commercial production, considering the expected ramp-up in production and reaching 80% of the plant's nameplate capacity by the third quarter of FY24.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 2: SEGMENT REPORTING

The Company identifies its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Company operates primarily in the exploration and development of an Inferred Mineral Resource of high-grade premium kaolinised granite in Australia. The financial information presented in the statement of comprehensive income and the statement of financial position is the same as that presented to the chief operating decision maker.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: REVENUE AND EXPENSES

	2023 \$	2022 \$
(a) Revenue		
Sale of products – domestic	204,310	162,964
Sale of products – export	1,255,397	1,009,808
	<u>1,459,707</u>	<u>1,172,772</u>
(b) Other income		
R&D Tax refund	369,469	289,383
Other income	90,362	37,957
	<u>459,831</u>	<u>327,340</u>
(c) Expenses		
Loss before income tax includes the following specific expenses:		
<i>Rental expenses and outgoings</i>		
Property rental	16,141	11,550
Landowner's payments	50,617	85,768
Tenement rentals	93,309	136,943
Tenement rates	22,828	28,014
Total rental expenses and outgoings	<u>182,895</u>	<u>262,275</u>
<i>Employee benefits expense</i>		
Directors' fees	196,000	194,261
Salaries and wages	640,611	1,216,230
Superannuation	237,985	190,527
Payroll tax	182,896	125,766
Fringe Benefits Tax	28,313	2,922
Leave entitlements	81,269	113,358
Total employee benefits expenses	<u>1,367,074</u>	<u>1,843,064</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 3: REVENUE AND EXPENSES (continued)

	2023	2022
	\$	\$
<i>Depreciation</i>		
Plant & equipment	351,464	246,132
Leasehold improvements	68,853	18,839
Motor vehicles	28,645	24,065
Total depreciation	448,962	289,036
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,651,406	1,945,962
	2,651,406	1,945,962
<i>Other expenses</i>		
Accounting and administration fees	304,270	249,683
Equity transaction fees	-	2,630
Consulting fees	12,768	59,322
Corporate expenses	189,202	134,229
Repairs and maintenance	165,071	215,279
Materials and consumables	66,686	21,578
Motor vehicle expenses	18,764	56,280
Utilities	64,813	67,893
Fuel	57,798	24,729
Mining royalties	39,948	55,782
Legal fees	444,836	51,798
Freight	365,131	261,116
ASX filing fees	38,072	43,410
Insurance	56,761	161,879
Research & development costs	24,111	46,786
Other	429,863	213,405
	2,278,094	1,665,799

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 4: INCOME TAX

	2023	2022
	\$	\$
Income tax recognised in profit or loss:		
The major components of tax expense are:		
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
Total income tax expense	-	-
Reconciliation of income tax expense to prima facie tax payable:		
Loss from continuing operations before income tax expense	(3,749,841)	(7,551,269)
Tax at the Australian tax rate of 25% (2022: 25%)	(937,460)	(1,887,817)
Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:		
Other permanent differences	(70,931)	855,838
Research and development credit	(92,367)	(72,346)
Timing movements not recognised	(247,852)	(110,373)
Deferred tax assets not brought to account	1,348,610	1,214,698
Income tax expense/(benefit)	-	-
The applicable weighted average effective tax rates	0%	0%
	2023	2022
	\$	\$
Unrecognised deferred tax asset		
Tax losses	9,395,516	8,184,385
Provisions and accruals	247,852	110,373
Net deferred tax assets unrecognised	9,643,368	8,294,758

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: INCOME TAX (continued)

Deferred Tax Assets Not Recognised

The tax benefits of the above deferred tax assets will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- The Company continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the Company in utilising the benefits.

NOTE 5: CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Cash at bank and on hand	3,093,776	6,364,612

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Balance as above	3,093,776	6,364,612
Bank overdraft	-	-
Balance as per statement of cash flows	3,093,776	6,364,612

(ii) Reconciliation of net (loss)/profit for the year to net cash flows from operating activities

	2023	2022
	\$	\$
Net loss for the year	(3,749,841)	(7,551,269)
Depreciation	448,962	289,036
Financing costs	2,651,406	1,945,962
Share-based payments	(2,032,000)	2,200,000
<i>(Increase)/decrease in operating assets:</i>		
Trade and other receivables	(119,330)	(72,507)
<i>(Decrease)/increase in operating liabilities:</i>		
Trade and other payables	(1,603,961)	(1,395,013)
Provisions	254,422	179,987
Net cash used in operating activities	(4,150,342)	(4,403,804)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 5: CASH AND CASH EQUIVALENTS (continued)

(iii) Changes in liabilities arising from financing activities

	Convertible notes \$	Related party borrowings \$	Other borrowings \$	Total \$
Balance at 1 July 2021	-	19,991,737	403,635	20,395,372
Capital repayments	-	(1,766,965)	(629,133)	(2,396,098)
Interest payments	-	-	(722,030)	(722,030)
Accrued interest	-	-	717,128	717,128
Funds advanced	-	-	5,113,036	5,113,036
Interest amortisation/ PV Adjustment	-	221,468	1,001,886	1,223,354
Re-classification	-	(17,386,133)	17,386,133	-
Balance at 30 June 2022	-	1,060,107	23,270,655	24,330,762
Balance at 1 July 2022	-	1,060,107	23,270,655	24,330,762
Capital repayments – Cash	-	-	(780,505)	(780,505)
Capital repayments – Converted to Equity	-	(1,000,000)	-	(1,000,000)
Interest payments	-	-	(884,914)	(884,914)
Accrued interest	-	-	903,128	903,128
Funds advanced - Cash	-	1,000,000	3,000,000	4,000,000
Funds advanced – Non Cash	-	-	1,158,841	1,158,841
Interest amortisation/ PV Adjustment	-	89,893	1,658,385	1,748,278
Balance at 30 June 2023	-	1,150,000	28,325,590	29,475,590

(iv) Non-cash investing and financing activities

	2023 \$	2022 \$
Accrued interest / interest amortisation	(2,651,406)	(1,940,460)
Fair value convertible notes	1,000,000	-
Conversion of convertible notes to share capital	(1,000,000)	-
	(2,651,406)	(1,940,460)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: CURRENT TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Trade receivables	97,137	108,026
Allowance for impairment	-	-
	97,137	108,026
Sundry debtors	22,192	187,766
Prepayments	301,345	245,546
Deposits paid	683,779	276,000
Other receivable – GST (net)	-	-
	1,007,316	709,312
Total trade and other receivables	1,104,453	817,338
	2023	2022
	\$	\$
Analysis of other receivables		
<i>Within initial terms</i>	97,137	108,026
<i>Ageing of past due but not impaired</i>		
30 – 60 days	-	-
60 – 90 days	-	-
90+ days	-	-
	-	-
Gross amount of other receivables	97,137	108,026

Impairment of receivables

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

There was no significant change in the gross carrying amount of receivables as there was no lifetime expected credit loss for the years 2022 and 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 7: INVENTORY

	2023	2022
	\$	\$
Raw materials	955,757	229,033
Finished Goods	447,254	32,557
Packaging & Consumables	501,592	171,141
Total Inventory	1,904,603	432,731

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 8: PROPERTY, PLANT AND EQUIPMENT

	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	98,509	815,745
Revaluation	-	-	3,527,833	3,527,833
Depreciation charge for the year	(351,463)	(28,646)	(68,853)	(448,962)
At 30 June 2023, net of accumulated depreciation and impairment	747,854	186,216	7,920,843	8,854,913
At 30 June 2023				
Cost or fair value	9,818,681	274,178	8,351,039	18,443,898
Accumulated depreciation and impairment	(9,070,827)	(87,962)	(430,196)	(9,588,985)
Net carrying amount	747,854	186,216	7,920,843	8,854,913

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and equipment	Motor vehicles	Land and buildings	Total
	\$	\$	\$	\$
Year ended 30 June 2022				
At 1 July 2021, net of accumulated depreciation and impairment	415,730	68,192	4,000,000	4,483,922
Additions	248,714	129,278	387,419	765,411
Revaluation	-	-	-	-
Depreciation charge for the year	(246,132)	(18,839)	(24,065)	(289,036)
At 30 June 2022, net of accumulated depreciation and impairment	418,312	178,631	4,363,354	4,960,297
At 30 June 2022				
Cost or fair value	9,137,676	237,948	4,724,697	14,100,321
Accumulated depreciation and impairment	(8,719,364)	(59,317)	(361,343)	(9,140,024)
Net carrying amount	418,312	178,631	4,363,354	4,960,297

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

The Company's land and buildings had a carrying value of \$4,363,354, prior to a revaluation based on the appraisal done by external valuer CBRE. The outcome of the valuation was an upward adjustment to the carrying value of the land and buildings by \$3,527,833 which was adjusted in the 2023 accounts (refer Note 15 for further details).

If land and buildings were stated under the historical cost convention, the carrying value would be \$1,753,993 (2022: \$1,774,608).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 9: MINE DEVELOPMENT EXPENDITURE

	2023	2022
	\$	\$
Balance at beginning of period	20,040,107	9,788,098
Wickepin plant project	8,355,627	10,252,009
Total mine development expenditure	<u>28,395,734</u>	<u>20,040,107</u>

NOTE 10: TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Current		
Trade payables	2,299,127	2,070,493
Accruals	463,408	6,833
Other employment-related payables	106,578	68,424
	<u>2,869,113</u>	<u>2,145,750</u>

NOTE 11: BORROWINGS

	2023	2022
	\$	\$
Current		
Loans from related parties (i)	1,150,000	311,000
Loans from other parties (ii)	13,253,316	285,532
	<u>14,403,316</u>	<u>596,532</u>
Non-current		
Loans from related parties (i)	-	749,107
Loans from other parties (ii)	15,072,274	22,985,123
	<u>15,072,274</u>	<u>23,734,230</u>
Total borrowings	<u>29,475,590</u>	<u>24,330,762</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11: BORROWINGS (continued)

- (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:

- (a) Lender: Wamco Industries Limited
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 0%
 Repayments: 1) Prior to the IPO date - \$144,000; 2) 10 Business days after the IPO date - \$150,000; 3) Second anniversary of the agreement - \$250,000; 4) Third anniversary of the agreement - \$61,000; 5) Fourth anniversary of the agreement - \$839,000; 6) Any balance repayable upon the Company achieving positive free cash flow for one quarter
 Collateral securities: None
 Amount due in less than 1 year: \$1,150,000

- (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: 14 February 2022
 Expiry date: 14 February 2025
 Interest rate: 8%
 Repayments: The loan amount will be repaid in one lump sum on the expiry date
 Amount due in less than 1 year: \$51,507
 Amount due in more than 1 year: \$5,000,000 (14 February 2025)
- (b) There are two further finance agreements with Toyota Finance for the financing of plant and equipment \$512,501, lease liability \$120,729 & insurance premium funding \$525,612 which was repaid in 2023.
- (c) Lender: Scientific Management Associates (Operations) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2027
 Interest rate: 6% per annum
 Repayments: 1) 10 Business days after the IPO date - \$300,000; 2) Fourth anniversary of the agreement - \$8,000,000; 3) Any balance repayable upon the Company achieving positive free cash flow for one quarter
 Collateral securities: None
 Amount due in less than 1 year: \$8,000,000 (20 September 2023)
- (d) Lender: Scientific Management Associates (Victoria) Pty Ltd
 Agreement date: 20 September 2019
 Expiry date: 30 June 2028
 Interest rate: 0%
 Repayments: 1) 10 Business days after the IPO date - \$1,242,000; 2) Fourth anniversary of the agreement - \$4,635,000; 3) Fifth anniversary of the agreement - \$7,405,000; 4) Any balance repayable upon the Company achieving positive free cash flow for one quarter
 Collateral securities: None
 Amount due in less than 1 year: \$4,635,000 (20 September 2023)
 Amount due in more than 1 year: \$7,405,000 (20 September 2024)
- (e) 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 loan amount will be repaid in one lump sum on the expiry date or can be converted to equity.
 Collateral securities: None
 Amount due in more than 1 year: \$3,000,000 (30 June 2026)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 12: PROVISIONS

Employee Entitlements:	2023	2022
	\$	\$
At 1 July	173,154	59,796
Net movements	81,268	113,358
At 30 June	254,422	173,154

Rehabilitation provision:	2023	2022
	\$	\$
At 1 July	374,533	330,000
Net movements	579,331	44,533
At 30 June	953,864	374,533

2023	Employee benefits	Rehabilitation provision	Other	Total
	\$	\$	\$	\$
Current	213,835	-	-	213,835
Non-current	40,587	953,864	-	994,451
	254,422	953,864	-	1,208,286

2022	Employee benefits	Rehabilitation provision	Other	Total
	\$	\$	\$	\$
Current	149,625	-	125,766	275,391
Non-current	23,529	374,533	-	398,062
	173,154	374,533	125,766	673,453

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: CAPITAL AND RESERVES

	30 June 2023		30 June 2022	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital	378,258,170	48,890,169	332,991,470	42,300,791

(b) Movements in ordinary share capital

	Year to 30 June 2023		Year to 30 June 2022	
	Number of shares	\$	Number of shares	\$
Balance at beginning of year	332,991,470	42,300,791	282,821,885	33,614,901
Issue of shares to third parties	38,600,033	5,790,000	50,169,585	9,030,500
Issue of shares upon conversion of convertible notes*	6,666,667	1,000,000	-	-
Capital raising costs	-	(200,622)	-	(344,610)
Balance at end of year	378,258,170	48,890,169	332,991,470	42,300,791

The agreement to issue shares upon conversion of the convertible note, contemplated a conversion price of \$0.15. At the date of conversion, 18 May 2023, subsequent to obtaining shareholder approval, the share price was \$0.135. A gain on conversion of \$100,000 was therefore achieved.

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. 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 (\$)
1	5,500,000	-	-	(5,500,000)	-	-
2	5,500,000	-	-	(5,500,000)	-	-
3	8,250,000	-	-	-	8,250,000	-
4	8,250,000	-	-	-	8,250,000	-
	27,500,000	-	-	(11,000,000)	16,500,000	-

During the year ended 30 June 2021, the Company issued 27,500,000 Performance Rights to the chief executive, executive director and former director/founder. Each Performance Right is a right to be issued with a single ordinary share upon vesting of the Performance Right, free of encumbrances. No consideration will be payable upon the vesting or conversion of the Performance Rights.

Subject to two specific rights¹, Performance Rights will vest if and when the following milestones (each a Milestone) are achieved in the periods specified in the table below. In relation to performance hurdle no. 2 below, 5,500,000 had a time extension applied to them from 30th June 2022 to 30th September 2022. The Board has subsequently determined that the targets were not achieved, resulting in the forfeiture of those rights.

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 YEAR ENDED 30 JUNE 2023**

NOTE 13: CAPITAL AND RESERVES (continued)

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)	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	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%

As at 30 June 2022, an expense of \$2,200,000 had been recognised in relation to the first and second tranches of performance rights (11,000,000), given the assessment that there was a high probability that the performance hurdles would be met. The Board has subsequently decided that the hurdles had not been met and those rights should be forfeited. For the remaining tranches of performance rights, whilst the above milestones are possible, they are not yet probable, so no expense has been recognised during the year.

(d) Movements in unlisted options

	Year to 30 June 2023		Year to 30 June 2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Balance at beginning of financial period	\$0.27	167,232,813	\$0.27	167,232,813
Issue of Incentive options to directors and employees	\$0.35	1,500,000	-	-
Balance at end of financial period	\$0.271	168,732,813	\$0.27	167,232,813

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: CAPITAL AND RESERVES (continued)

During the the year ended 30 June 2023, the Company granted the following options:

- (i) 1,500,000 Incentive options to a director with a fair value of \$168,000 for the purchase of 1,500,000 ordinary shares at a price of \$0.35 for a period of five years from date of grant. The Incentive options vested immediately on the grant date.

The fair value of options was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	30 June 2023
Expected annual volatility	100%
Risk-free interest rate	3.42%
Expected life	5 years
Share price at grant date	\$0.17
Expected dividend yield	0%

(e) Asset revaluation reserve	2023	2022
	\$	\$
Opening balance	2,318,174	2,318,174
Movement	3,527,833	-
Closing balance	5,846,007	2,318,174
(f) Capital contribution reserve		
Opening balance	17,880,927	17,880,927
Closing balance	17,880,927	17,880,927
(g) Share-based payment reserve		
Opening balance	15,690,359	13,490,359
Fair value of Incentive options	168,000	-
Performance Rights	(2,200,000)	2,200,000
Closing balance	13,658,359	15,690,359
Total reserves	37,385,293	35,889,460

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve has been used to record increases in the fair value of land and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: CAPITAL AND RESERVES (continued)

Capital contribution reserve

The capital contribution reserve has been used to record increases in net assets arising from transactions with owners in their capacity as owners and that are not recognised as income.

Share based payment reserve

The share option reserve arises as share-based payments are issued.

Options issue

Unlisted options over ordinary shares in the company are granted to key management personnel, employees and advisors as a long-term incentive component of their performance-based remuneration.

NOTE 14: EARNINGS PER SHARE

	<u>2023</u>	<u>2022</u>
Loss after income tax attributable to owners of WA Kaolin Limited used to calculate basic loss per share	(\$3,749,841)	(\$7,551,269)
	\$ per share	\$ per share
Basic (loss)/profit per share	(0.01)	(0.03)
Diluted (loss)/profit per share	(0.01)	(0.03)
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	357,659,432	300,348,215

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/(accumulated losses).

The Company is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	2023 \$	2022 \$
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	3,093,776	6,364,612
Trade and other receivables	119,330	571,792
Financial liabilities		
Trade and other payables	2,405,705	2,145,750
Borrowings	29,475,590	24,330,762

(c) Financial risk management objectives

The Company is exposed to currency risk, market risk including fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

Currency risk

The Company undertakes transactions denominated in foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company manages its currency risk in accordance with approved policies.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are:

	2023 \$	2022 \$
United States Dollar denominated (in AUD)	66,000	24,000
	66,000	24,000

Sensitivity

As shown in table above, the Company is primarily exposed to changes in USD/AUD exchange rate. Impact on post tax profit as a result of movements in USD/AUD exchange rate were immaterial for both 2022 and 2023.

(d) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodity prices. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk from the previous period. The Company does not have investments that would expose it to unmanageable market risks.

(e) Interest rate risk management

The Company is exposed to interest rate risk as the Company borrows funds at variable interest rates. The Company's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, wherever possible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (continued)

In addition, the Company utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Company does not enter into interest rate hedges.

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Fixed / variable rate
30 June 2023	\$	\$	\$	
<i>(i) Financial assets</i>				
Cash	-	3,093,776	3,093,776	Variable
Total financial assets	-	3,093,776	3,093,776	
<i>(ii) Financial liabilities</i>				
Borrowings	17,078,983	12,396,607	29,475,590	Fixed
Total financial liabilities	17,078,983	12,396,607	29,475,590	
30 June 2022				
<i>(i) Financial assets</i>				
Cash	-	6,364,612	6,364,612	Variable
Total financial assets	-	6,364,612	6,364,612	
<i>(ii) Financial liabilities</i>				
Borrowings	13,229,041	11,101,721	24,330,762	Fixed
Total financial liabilities	13,229,041	11,101,721	24,330,762	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Interest rate risk sensitivity analysis

The Company only had fixed rate borrowings at 30 June 2023 and 2022, therefore interest rate sensitivity analysis is not required to be undertaken for the purpose of this report.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above.

This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table outlines the Company's remaining contractual maturities for non-derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Company can be required to pay.

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount	Weighted average interest rate
	\$	\$	\$	\$	\$	
30 June 2023						
Payables	2,869,113	-	-	2,869,113	2,869,113	Nil
Borrowings	196,562	5,934,215	23,947,934	30,078,711	29,475,590	3.22%
Convertible Notes	-	-	-	-	-	-
	<u>3,065,675</u>	<u>5,934,215</u>	<u>23,947,934</u>	<u>32,947,824</u>	<u>32,344,703</u>	
30 June 2022						
Payables	2,145,750	-	-	2,145,750	2,145,750	Nil
Borrowings	168,520	428,013	26,085,627	26,682,160	24,330,762	3.66%
Convertible Notes	-	-	-	-	-	-
	<u>2,314,270</u>	<u>428,013</u>	<u>26,085,627</u>	<u>28,827,910</u>	<u>26,476,512</u>	

(h) Fair value of financial instruments

The directors consider that the carrying value of the financial assets and financial liabilities as recognised in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three- level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Year ended 30 June 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Land and buildings	-	-	7,600,000	7,600,000
Total assets	-	-	7,600,000	7,600,000

Year ended 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Land and buildings	-	-	4,000,000	4,000,000
Total assets	-	-	4,000,000	4,000,000

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The fair value of the land and buildings has been determined through an external valuation performed by CBRE on May 17, 2023, resulting in an upward revaluation and estimated the value to be \$7.6 million for the property.

Land and buildings

The land and buildings were revalued to \$7.6M on 30 June 2023 based on the valuation done by an external valuer, CBRE. The property was sold in July 2023. The sale of the property was not recognised in the financial year ended 30 June 2023 as the actual transfer of property occurred in July 2023.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 15: FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Level 1 assets and liabilities

Movements in level 1 assets and liabilities during the current and previous financial year are set out below:

	Assets
	Land and buildings
	\$
Balance at 1 July 2022	4,000,000
Income recognised in other comprehensive income	3,527,833
Losses recognised in profit or loss	-
Additions (net)	29,656
Other adjustments (net)	42,511
Balance at 30 June 2023	<u>7,600,000</u>
Losses recognised in other comprehensive income	-
Additions	-
Other adjustments	-
Fair value adjustment and finance costs	-
Balance at 30 June 2023	<u>7,600,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: DIVIDENDS

No dividends were paid, declared or recommended since the start of the financial year (2022: \$Nil).

NOTE 17: AUDITOR'S REMUNERATION

	2023	2022
	\$	\$
Amounts paid and payable to BDO for:		
<i>(i) Audit and other assurance services</i>		
Audit of financial statements	134,697	89,074
Total audit and other assurance services	134,697	89,074
<i>(ii) Other non-audit services</i>		
Taxation services	-	-
Corporate finance services	-	-
Total non-audit services	-	-

NOTE 18: COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2023, the Company had various commitments in the sum of \$228,493 (excluding GST) in relation to the construction of its processing facility, associated works and equipment at its Wickepin mine site in Western Australia.

No other capital expenditure commitments have been made for items of plant and machinery as at 30 June 2023 (2022: \$Nil).

Contractual commitments

The Company announced on 26 May 2021 that it had entered into a 15-year LNG Supply agreement, due to commence from the start of operations at its Wickepin plant. As a result, the Company has commitments of approximately \$2,055,666 (excluding GST) in the first year of production and then approximately \$4,262,100 (excluding GST) per year, until such time as the Company commits to its Stage 2 project, which will see production capacity increased from 200,000 tonnes per year to 400,000 per year.

In addition, the Company announced on 10 September 2021 that it signed a 15-year agreement for the supply of water to the Company's Wickepin Kaolin Project with the Western Australian Water Corporation. Over the period of this agreement, the Water Corporation will make available up to 49kL of water per day or 343kL per week to the Company. The Company paid a one-off upfront capacity contribution and then a monthly variable charge depending on volume used (rates subject to annual review) with no minimum monthly requirement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

Royalty Deed

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd, on behalf of several of the original and other owners of the Company since formation. Key details of the Royalty Deed are as follows:

Parties	WA Kaolin Wamco Industries Group Pty Ltd (WAMCO)
Brief description	WA Kaolin has agreed to pay a royalty (described below) to WAMCO until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to WAMCO all of the Tenements (other than L70/156 and G70/251).
Commencement date	1 July 2019.
Key terms	<p>Royalty: WA Kaolin owes to WAMCO a royalty for each quarter in which WA Kaolin either mines or sells kaolin ore ex-works, FCA or FOB or mines and processes kaolin ore to produce a kaolin product which is sold ex-works, FCA or FOB, which must be paid quarterly.</p> <p>The royalty is the greater of:</p> <p>(a) \$1.50 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin; or</p> <p>(b) 1.5% of the price received for the sale of kaolin ore or product in a quarter.</p>

Tonnage Royalty Deed

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd, on behalf of several of the original and other owners of the Company since formation. Key details of the Royalty Deed are as follows:

Parties	Wamco Industries Group Pty Ltd (WAMCO)
Brief description	WA Kaolin has agreed to pay a royalty (described below) to WAMCO until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to WAMCO all of the Tenements (other than L70/156 and G70/251).
Commencement date	1 July 2019.
Key terms	<p>Royalty: WA Kaolin owes to WAMCO a royalty for each quarter in which WA Kaolin either mines and sells kaolin ore ex-works, FCA or FOB or mines and processes kaolin ore to produce a kaolin product which is sold ex-works, FCA or FOB, which must be paid quarterly.</p> <p>The royalty is \$1.25 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin.</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

Security Interest

Company has borrowed a line of credit of \$3,000,000 (unsecured) from Boneyard Investments Pty Ltd in addition to the existing \$5,000,000 which is secured by the company's property located at East Rockingham.

No other contingencies were noted as at 30 June 2023 (2022: Nil).

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

On July 21, 2023, the company completed the sale of its East Rockingham property to Coogee Chemicals Pty Ltd for a total consideration of \$7,000,000, plus GST. Subsequently, the company entered into a three-year lease agreement to retain use of the property at a nominal annual rental fee. The proceeds from this sale were utilised to repay the existing \$5,000,000 line of credit owed to Boneyard Investments Pty Ltd.

On August 1, 2023, the company secured capital through a contractual arrangement with Century Horse Limited, involving the sale of total shares 45,525,951 in monthly tranches at a specified subscription price. The first payment of \$2,000,000 in relation to this agreement was received in the Company's bank account on 9 August 2023.

No other matter or circumstance has arisen since 30 June 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 20: RELATED PARTIES

Key management personnel compensation

The key management personnel compensation is as follows:

	2023	2022
	\$	\$
Short-term employee benefits	781,354	955,361
Post-employment benefits	44,625	63,821
Share-based	(1,144,000)	1,144,000
	(318,021)	2,163,182

Other key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Mr A Baker is a director and major shareholder of the Company. During the reporting period, the Company has borrowed funds from several entities of which Mr Baker is a director and major shareholder. Details of those loans can be found in the table below and at Note 11(i).

Mr A Sorensen is a key management person of the Company and has advanced funds to the Company, as detailed below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 20: RELATED PARTIES (continued)

Related party borrowings

30 June 2023

Entities associated with:	A Baker¹
Opening balance	1,150,000
Interest	-
Funds advanced	1,000,000
Converted to Equity	(1,000,000)
Other – finance cost on related party borrowing (Note 5)	-
Closing balance	1,150,000

30 June 2022

Entities associated with:	A Baker¹
Opening balance	2,916,965
Interest	-
Funds advanced	-
Funds repaid	(1,766,965)
Other – finance cost on related party borrowing (Note 5)	-
Closing balance	1,150,000

Entities associated with the following key management personnel are as follows:

¹ A Baker : Wamco Industries Group Pty Ltd, Wamco Industries Pty Ltd, Pacific Polymers R&D Pty Ltd, Pacific Polymers Pty Ltd, EMC Pacific Pty Ltd

Full details of the lenders can be found at Note 11 (Borrowings).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: RELATED PARTIES (continued)

Fees and salaries

Director / Other Fees

Mr. A Baker, and Mr. A Sorensen chose not to be paid any outstanding director / other fees during previous financial years, instead allowing the Company to accrue such amounts, including amounts accrued in prior financial years, to be paid at a later date as the Company's cash flow allows. Details of the amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

30 June 2023

	<u>A Baker</u>	<u>A Sorensen</u>
Opening balance	301,000	189,000
Director / Other fees	-	-
Payments	-	-
Closing balance	<u>301,000</u>	<u>189,000</u>

30 June 2022

	<u>A Baker</u>	<u>A Sorensen</u>
Opening balance	365,000	234,000
Director / Other fees	-	-
Payments	<u>(64,000)</u>	<u>(45,000)</u>
Closing balance	<u>301,000</u>	<u>189,000</u>

Other transactions

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

During the period ended 30 June 2023, the Company paid:

- Director fees and superannuation of \$222,900 (2022: \$224,487)
- Salary and superannuation of \$99,505 to a part-time sales executive, who is the daughter of the Company's executive director (2022: \$107,959)
- Consulting fees of \$207,664 (ex GST) for services rendered by the Company's executive director through his associated entity (2022: \$315,000)
- Royalties of \$25,519 (2022: \$20,376) to an entity associated with the Company's executive director
- Building supplies of \$263,455 (2022: \$98,747) (at arm's length or better) to an entity associated with the son of the Company's executive director
- Plant and equipment \$61,260 (2022: \$224,063) (at arm's length or better) to an entity associated with the Company's executive director

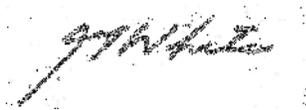
During the year ended 30 June 2023, the Company repaid loans of \$Nil (2022: \$1,766,965) to companies associated with the Company's executive director.

DIRECTORS' DECLARATION

1. In the opinion of the directors of WA Kaolin Limited ("the 'Company'):
 - a. the accompanying financial statements and notes thereto, as set out on pages 21 to 62 are in accordance with the Corporations Act 2001, including:
 - i. complying with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
 - ii. as stated in Note 1 the financial statements also comply with International Financial Reporting Standards; and
 - ii. give a true and fair view of the financial position of the Company as at 30 June 2023 and of its performance for the year ended on that date.
 - b. there are reasonable grounds to believe that WA Kaolin Limited will be able to pay its debts as and when they become due and payable subject to the disclosures in note 1(b).

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors, in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

This declaration is signed in accordance with a resolution of the Board of Directors.



Dr John White
Chairman

Dated this 29 September 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of WA Kaolin Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of WA Kaolin Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of WA Kaolin Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(b) 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 entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. The matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Accounting for mine development properties

Key audit matter	How the matter was addressed in our audit
<p>Accounting for mine development properties related to the Wickepin Project is a key audit matter due to:</p> <ul style="list-style-type: none"> • The size of the mine development properties which represents 67% of the company's total assets as at 30 June 2023; • During the year the company capitalised significant expenditure as mine development properties and as at 30 June 2023 the mine remained in development; and • The company is required to assess at each reporting date whether there are any indicators of impairment relating to the asset. <p>Mine development properties are recorded by the company in accordance with AASB 116 <i>Property, Plant and Equipment</i>. The standard prescribes that expenditure shall be recognised as an asset if, and only if:</p> <ol style="list-style-type: none"> a) It is probable that future economic benefits associated with the item will flow to the entity; b) The cost of the item can be measured reliably. <p>The company uses judgement and estimates in the identification and allocation of costs between operating expenditure and capital expenditure.</p> <p>The company applies judgement and estimates in determining whether any indicators of impairment are present.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Verifying on a sample basis, mine development expenditure capitalised during the year for compliance with the measurement and recognition criteria of accounting standards; • Evaluating the reasonableness of management's accounting classification of the project including the expected timeframe for completion of development and the commencement of commercial production; • Evaluating management's assessment of indicators of impairment as at 30 June 2023 under Australian Accounting Standards, including consideration of the following factors: <ul style="list-style-type: none"> • Comparing the carrying amount of the company's net assets against its market capitalisation as at 30 June 2023; • Reviewing the definitive feasibility study that was undertaken prior to the development of the project and considering whether there were any material changes between current conditions and the judgements made in this study; and • Reviewing the company's cash flow projections for the kaolin mine, including the expected timing and amount of future cash flows. • Assessing the adequacy of the related disclosures in Note 1 and Note 9 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 17 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of WA Kaolin Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 29 September 2023

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Additional Information for Listed Public Companies

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited.
The information is current as at 28 September 2023.

1. Shareholdings

Substantial shareholders of WA Kaolin Limited:

<u>Name of shareholder</u>	<u>Shares held</u>	<u>% held</u>
Mr Kenneth Joseph Hall <Hall Park A/C>	55,161,231	13.94
Silver Tropic Pty Ltd <Wamco Industries Unit A/C>	53,083,574	13.41
Scientific Management Associates (Victoria) Pty Ltd <Wamco Industries Unit A/C>	51,977,667	13.13
Century Horse Ltd	35,688,726	9.01

2. Distribution of equity – Listed securities:

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	33	5,616	0.00%
above 1,000 up to and including 5,000	242	855,464	0.22%
above 5,000 up to and including 10,000	217	1,748,121	0.44%
above 10,000 up to and including 100,000	626	25,996,951	6.57%
above 100,000	257	367,299,077	92.77%
Totals	1,381	395,905,229	100.00%

At the date of this report there were 169 shareholders, with a total of 373,024 shares, who held less than a marketable parcel of shares, representing 0.09% of the issued capital.

Listed securities in WA Kaolin Limited (WAK) are quoted on all member exchanges of the Australian Securities Exchange.

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Additional Information for Listed Public Companies (continued)

Updated as at 28 September 2023

Position	Holder Name	Holding	% IC
1	SILVER TROPIC PTY LTD <WAMCO INDUSTRIES UNIT A/C>	53,083,574	13.41%
2	SCIENTIFIC MANAGEMENT ASSOCIATES (VICTORIA) PTY LTD <WAMCO INDUSTRIES UNIT A/C>	51,977,667	13.13%
3	MR KENNETH JOSEPH HALL <HALL PARK A/C>	43,850,119	11.08%
4	CENTURY HORSE LIMITED	35,688,726	9.01%
5	MR KENNETH JOSEPH HALL <HALL PARK A/C>	11,311,112	2.86%
6	BONEYARD INVESTMENTS PTY LTD	10,333,333	2.61%
7	MR HAN SWEE TAN	9,028,378	2.28%
8	TRADEFOG GLOBAL CO LIMITED	6,660,667	1.68%
9	KAOLIN CT PTY LTD <KAOLIN A/C>	6,000,000	1.52%
10	PAUL LOWRY & KIM WATSON <PAUL LOWRY FAMILY A/C>	5,366,452	1.36%
10	MR JAMES WOULFE & MRS CATHERINE MARIA WOULFE <DEBHULBH FAMILY A/C>	5,366,452	1.36%
10	STEPHEN RICE <A/C THE RICE FAMILY TRUST>	5,366,452	1.36%
11	CAJWM PTY LTD <CAJWM RETIREMENT FUND A/C>	5,123,239	1.29%
12	CITICORP NOMINEES PTY LIMITED	4,568,765	1.15%
13	MR ANDREW BRIAN SORENSEN <WAMCO INDUSTRIES UNIT A/C>	4,390,297	1.11%
14	BELGRAVIA STRATEGIC EQUITIES PTY LTD	4,291,667	1.08%
15	MS LAY HOON LEE	3,911,265	0.99%
16	MR BENG GIM TAN	3,500,000	0.88%
17	MR MENG LUO & MRS LAN LIU <LUO & LIU FAMILY A/C>	3,317,500	0.84%
18	MR KANISHKA RATHORE	2,663,000	0.67%
19	MR MENG LUO & MRS LAN LIU <LUO & LIU SUPER FUND A/C>	2,570,000	0.65%
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,440,275	0.62%
	Total	280,808,940	70.93%
	Total issued capital - selected security class(es)	395,905,229	100.00%

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