

26 September 2024

## ASX Market Announcement

Via e-lodgment

### WA KAOLIN UPDATE

#### Overview

- **Sales growth has been slower than expected due to Asian construction industry slowdown. The Company has responded with careful attention to costs, efficiencies and product improvements.**
- **The Classifier project is on budget and nears completion. It is an operational improvement aimed at producing finer products at higher rate with greatly improved yield.**
- **Finer products, improved products to ceramics industry and new technical grades are crucial to successfully achieving the forecast sales growth. However, if the rate of customer uptake of these new products is insufficient then the Company may need to raise further working capital.**
- **In July 2024, the Company successfully raised \$5.95m through its Tranche 1 and Tranche 2 placements to fund its Classifier project (\$3m) and working capital (\$2.95m). The Company will also receive an additional amount of \$1.05m once FIRB approval is received, for a total of \$7.0m raised.**
- **Study recommences for the use of low brightness ore for geopolymers concrete (green cement).**

#### Finance

WA Kaolin Limited (“WAK” or “Company”) announced the partial completion of its Tranche 2 placement at the end of July 2024, where 65,000,001 ordinary shares were issued, raising \$3.9m.

A further 17,505,500 ordinary shares to raise \$1.05m, will be issued to another of the Company’s major shareholder once Foreign Investment Review Board (FIRB) approval is granted. The Company anticipates a decision to be handed down by FIRB within the next two months.

Once all funds have been received, a total of \$7.0m would have been raised by the Company through its two placements.

The directors note that the forecast cash position of the company is critically dependent on the Classifier project delivering significantly greater quantities of finer products to penetrate the current tight Asian markets over the next twelve months. Significant sales of the new technical grades and engineered ceramic grades is also seen as critical. The cash situation will therefore be closely reviewed over the coming months, after the Classifier project is implemented and new products are introduced to the market. It may be that additional working capital is needed.

#### Operations

Mining activity is more controlled using in-house equipment and plant performance continues at >80% reliability with no lost time safety incidents. Minor process modifications continue as expected in such a new plant and include improvements to materials handling processes to minimise dust and spills.

### Classifier Project

The installation of third stage classification is seen as a critical step for the Company to accelerate sales in key markets by delivering significantly greater quantities of finer products to the Asian markets in the coming months and strive towards positive operating cash flow.

The motorised sections of the two classifiers have arrived at Wickepin from overseas on 25th September after a delay at the Fremantle port. All other items including structure, transfer equipment, motor control centre and drives are all in late stages of readiness (see photos below). The capital cost of the project is within the \$3m budget. Commissioning will occur in October/ November 2024.



*Classifiers MCC (upper level)*



*Structure ready for installation of Classifiers*



*Classifiers components drives from USA*



*Classifier components from USA*



*Auxiliary items ready to install after the main drive units arrive*

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R&D

The Company’s development efforts to provide improved engineered ceramic grades has met with customers’ approval. Sales in this sector are of higher value and are now growing steadily.

The Company has added two new technical grades to its product range to assist sales growth.

The Company has also recommenced its study of geopolymers concrete (‘green cement’) and the use of activated kaolin (metakaolin). This project will use a lower brightness grade of ore that is not suitable in the production of the K99 products, but which has been stockpiled.

Sales

The Company continues the steady improvement in sales volumes month by month as it continues to acquire new customers each quarter. The quarterly sales revenue is depicted in Figure 1 below.

As previously stated, this year’s growth is underpinned by the new technical grades and engineered ceramic grades introduced earlier this year. With the new classifier project reaching completion, we should see another boost in sales volumes as the finer grades of kaolin are released to the market and gain customer acceptance.

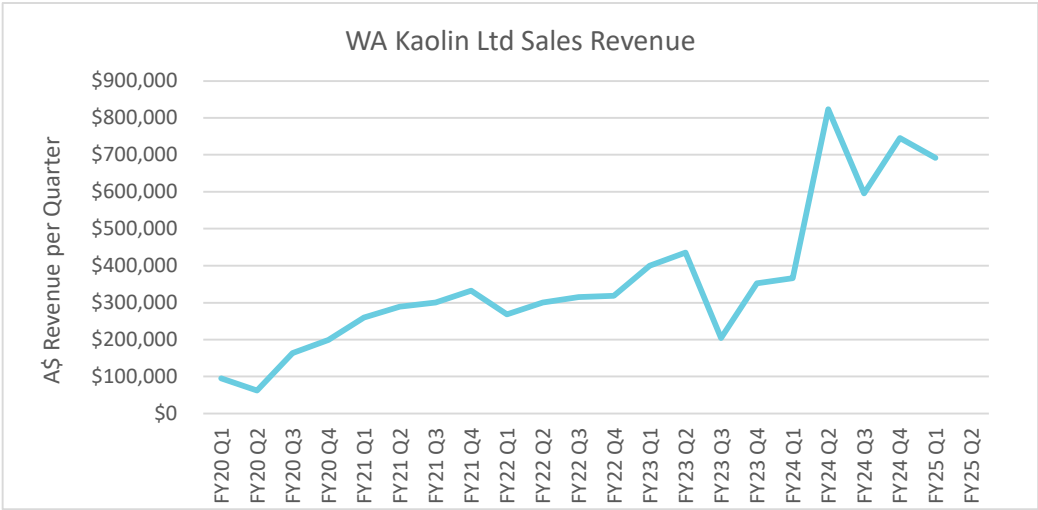


Figure 1 – Sales revenue by quarter (includes FY25Q1 forecast)  
(Note: FY24 and FY25Q1 figures are subject to audit)

Our expectations for the coming year are for more steady increases in sales of our existing products combined with new product sales penetrating Asian markets such as China, Malaysia, Thailand and Vietnam.

The sales team are acutely aware that the Company’s success depends on the delivery of a higher rate of sales growth in the coming year. The finer products that will be produced after the classifier project is delivered will enable the Company to approach new customers in the paint, paper and coatings markets and recent marketing efforts promoting the new technical grades have received good feedback from customers, with evaluations underway with several major kaolin producers.

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**This announcement was authorised for market release by the Board of WA Kaolin Limited.**

For further information, please contact:

Alf Baker  
Managing Director  
[abaker@wakaolin.com.au](mailto:abaker@wakaolin.com.au)  
+61 419 314 283

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