

MARKET UPDATE: LONG-TERM FUNDING SECURED, 2026 OFFTAKE AGREEMENT & OPERATIONS UPDATE

Highlights

- **Significant Lender Backing:** WA Kaolin has executed binding loan agreements with its key lenders, securing the Company's long-term financial future.
- **Debt Maturity Extended to 2037:** Existing debt facilities totalling approximately \$20.4 million have been restructured with maturity dates extended by 12 years to December 2037, and repayments commencing 30 June 2027, reducing short-term refinancing risk.
- **New Working Capital Facility:** A new \$1.5 million loan has been secured to support operational growth and working capital requirements.
- **2026 Offtake Agreement:** WA Kaolin has executed a binding offtake agreement for the 2026 calendar year with Dak Tai Trading Limited. The agreement represents a total contract value of approximately US\$5.57 million (A\$8.6 million).
- **Operational Update:** December quarter production of ~12kt was below expectations, reflecting reduced plant availability and unplanned maintenance; while dynamic classifiers have demonstrated target throughput capability, sustained plant-wide uptime has not yet been achieved. Upgrade works have been identified and are planned for the next shutdown window to address these constraints.

WA Kaolin Ltd (WA Kaolin or the Company) (ASX: WAK) is pleased to provide a comprehensive market update regarding its long-term financing, forward sales profile, and operational performance.

The Company has successfully executed restructured loan agreements with its cornerstone lenders to improve its balance sheet, alongside securing a binding offtake agreement that underpins sales volumes for 2026. While operational challenges impacted production in the December quarter, the secured funding and confirmed demand provide a stable platform for the Company to address plant bottlenecks.

1. Funding Update: Long-Term Stability Secured

The Company has executed comprehensive restructured loan agreements with its major shareholders and lenders: Scientific Management Associates (Victoria) Pty Ltd (**SMAV**), Scientific Management Associates (Operations) Pty Ltd (**SMAO**), and Wamco Industries Group Pty Ltd (**Wamco**).

This restructuring represents a significant vote of confidence in the Wickepin Kaolin Project, aligning the Company's capital structure with the long-life nature of the asset.

Debt Restructuring (SMAV & SMAO): Existing facilities totalling approximately \$20.4 million have been restructured with maturity dates extended by 12 years to 31 December 2037 with total annual repayments of \$1.0 million commencing 30 June 2027¹ and interest payable quarterly. This reduces short-term refinancing risk and allows cash flow to be prioritised for operational ramp-up.

As part of the restructuring terms, SMAV has been granted the right to appoint one non-executive director to the Board of WA Kaolin so long as the loan remains outstanding. Interest of 8% pa is payable on the ~\$8.4m SMAO loan from 31 October 2025.

¹ Accelerated to 6 monthly repayments if the Company receives more than a \$5.0 million capital injection after 31 March 2026 or achieves annual audited revenue of \$30.0 million or higher.

The SMAV loan of ~\$12.0 million is intended to be secured (on a first ranking basis) subject to the Company obtaining a waiver of ASX Listing Rule 10.1 to grant the security without shareholder approval or, alternatively, obtaining shareholder approval under that rule (which applies as SMAV is a 12.8% shareholder). The Company has applied for the necessary ASX waiver and will, if necessary, seek shareholder approval for the grant of the security under Listing Rule 10.1. If the security is not provided by 1 April 2026, the 5% pa interest rate will increase from that date to the Reserve Bank Cash Rate Target plus 7% pa.

If any repayments or interest are not paid when due, the applicable SMA lender can, subject to shareholder approval and applicable law, convert outstanding amounts into shares based on the 20-day VWAP share price.

New Facility (Wamco): A new \$1.5 million working capital facility has been negotiated, repayable on 31 December 2028. This facility is intended to be secured (on a second-ranking basis) subject to the Company obtaining a waiver of ASX Listing Rule 10.1 to grant the security without shareholder approval or, alternatively, obtaining shareholder approval under that rule (which applies as Wamco is an associate of Managing Director Alf Baker and 10.7% shareholder Silver Tropic Pty Ltd). If the security is not granted by ~23 May 2026, the loan will become repayable. The Company has applied for the necessary ASX waiver and will, if necessary, seek shareholder approval for the grant of the security under Listing Rule 10.1.

2. Commercial Update: Binding 2026 Offtake

The Company advises that it has executed an offtake agreement with Dak Tai Trading Limited, pursuant to the existing distribution arrangements between the parties.

Dak Tai Trading Limited (a member of the Stanco group) is an established distribution partner of the Company. The Company notes that Mr Sean Hu, a former non-executive director of WA Kaolin Limited, is a director of the Stanco group, which has historically been the main distributor of WA Kaolin products. The offtake agreement was negotiated on an arm's-length basis in the ordinary course of business.

The agreement applies to the 2026 calendar year and based on the agreed pricing structure and minimum offtake obligations, the agreement represents a total contract value of approximately US\$5.57 million (A\$8.6 million) for the 2026 calendar year.

The offtake agreement includes firm ordering commitments and customary termination rights. If the Company does not deliver 15,000 tonnes of product under the new agreement by 31 March 2026, Dak Tai has the right to terminate its minimum volume obligations under the agreement.

In addition to the 2026 offtake, the Company confirms it enters the new calendar year with a strong immediate demand profile. The Company's total order book for the March 2026 quarter stands at approximately 20,000 tonnes, including 9,240 tonnes of existing Dak Tai Trading Limited backorders.

Based on the minimum committed volumes and agreed pricing, the offtake agreement represents a material commercial contract for the Company for the 2026 calendar year.

3. Operational Update

WA Kaolin Limited advises that December quarter production at its Wickepin processing plant is expected to be approximately 12kt, 3kt below target production, due to reduced plant availability.

Production was impacted by a planned October shutdown, the scope of which was reduced in response to elevated customer backorders, resulting in the deferral of several upgrade items. In addition, the aggressive abrasion characteristics of the dry separation process resulted in higher-than-anticipated wear rates, driving unplanned maintenance and reducing overall plant availability during the quarter.

While each dynamic classifier has demonstrated the capability to produce approximately 15 tonnes per hour of finer-grade product, this performance was not sustained at a plant-wide level due to reduced uptime, resulting in quarterly output being approximately 3kt below plan.

As at the date of this announcement, the Company has approximately 9,240 tonnes of existing customer orders outstanding, reflecting the impact of reduced plant availability during the quarter. These outstanding volumes are in addition to the delivery milestones required under the 2026 offtake agreement.

The deferred upgrade items are fully engineered, with most equipment available on site, and are planned to be installed during the next available shutdown window. Completion of these works is expected to materially improve plant stability and uptime. The Company is also progressing waste recovery and cost-reduction initiatives, building on improvements achieved during the year in energy and freight costs.

The Board and management are acutely focused on improving plant availability and delivery performance, given the importance of meeting near-term customer commitments.

Management Commentary

WA Kaolin's Managing Director, Alf Baker, said: "This is a pivotal moment for WA Kaolin. Securing the support of our lenders to extend our major debt horizons to 2037 strengthens our balance sheet and reduces the distraction of short-term refinancing. It is a powerful endorsement of our asset's long-term value".

"Simultaneously, locking in a binding offtake for 2026 with Dak Tai provides the revenue visibility we need to confidently drive our production planning. While the December quarter presented operational challenges, we have identified the specific engineering solutions required. With our funding stabilised and demand confirmed, the team can now focus entirely on implementing these plant improvements and ramping up production to meet our customers' needs".

"Management recognises that current operating performance is below expectations, and our immediate focus is on delivering consistent, reliable plant operation before pursuing further production increases."

Mr Baker is fully committed to seeing the plant through to its optimum utility. To align his arrangements with this purpose and ensure focused delivery, the Company has suspended its right to terminate his agreement without cause until 30 June 2026.

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

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ABOUT WA KAOLIN

WA Kaolin's Wickepin Kaolin Project, 220km south-east of Perth, contains a Mineral Resource (JORC 2012) of 644.5 million tonnes^{1,2} of high-grade premium kaolinised granite. This world-class resource at Wickepin is one of the largest known remaining premium primary resources of kaolin globally. It is characterised by its purity, quality and brightness, producing kaolin products that typically attract higher prices from a growing collection of top tier customers.

¹ The Mineral Resource estimate is inclusive of Ore Reserves and the 2023 Mineral Resource estimate. Please refer to the ASX announcements of 10 October 2023 'Wickepin Kaolin Project Ore Reserve More Than Doubles' and 'Wickepin Kaolin Project Mineral Resource and Ore Reserve Supplementary Announcement'. Apart from that which is disclosed in this document, WA Kaolin Limited, its directors, officers and agents: 1. Are not aware of any new information that materially affects the information contained in the 10 October 2023 announcements, and 2. State that the material assumptions and technical parameters underpinning the estimates in the 10 October 2023 announcements continue to apply and have not materially changed.

² CSA Global Mineral Resource Estimate R313.2023