

March 2022 Quarterly Activities Report

Highlights

- **Installation and pre-commissioning of Stage 1 processing plant at Wickepin Kaolin Project in WA continues strongly**
- **First production on track for mid CY22 albeit hampered by delays in some materials delivery and shortages of labour; production to commence at 25 tonne per hour nameplate capacity and steadily increase to ~200,000 tonnes per annum (tpa) rate by the end of CY22**
- **Completion of a Capital Raising comprising:**
 - **\$6.1 m Placement of New Shares**
 - **\$2.93m Share Purchase Plan to eligible shareholders**
 - **\$5m secured working capital loan facility**
- **Proceeds of capital raising allows WAK to proceed with the acceleration of Stage 2 infrastructure development**
- **Two 3-year Offtake Agreements signed to give WAK 90% of Stage 1 production covered by Offtake or LOI agreements**
- **Mr. Rod Baxter appointed as non-executive director, effective 15th March 2022**
- **Cash on hand of \$12.3m at 31 March 2022**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to provide an update on its activities for the March 2022 quarter.

The Company holds the Wickepin Kaolin Project, 220km south-east of Perth, which contains an Ore Reserve Estimate of 30.5 million tonnes (83.7% ISO Brightness)¹ of kaolinised granite included in a 644.5 million tonne (75.8% ISO Brightness) Inferred Mineral Resource². WA Kaolin produces kaolin products for tier one customers and the Company aims to expand its production from the Wickepin Project to 400,000tpa in a two-stage expansion strategy.

Chief Executive Officer Andrew Sorensen stated,

“We are thrilled with the progress we have made during the March quarter as we move closer to successfully becoming a kaolin producer of global significance at our Wickepin Project in Western Australia. We have many achievements to be proud of during the quarter, including the K99 Kaolin Plant Stage 1 construction and commissioning activities, the acceleration of Stage 2 infrastructure following the \$12m capital raising, and additional offtake agreements on the international market.”

“It is with great anticipation that we look ahead to the remainder of the June quarter with the Company on budget and seeking to stay on time to commence Stage 1 production at Wickepin, starting with a 25 tonne per hour nameplate capacity before we steadily increase over 2022. We look forward to sharing the news of this milestone with the market.”

¹ CSA Global Ore Reserve Estimate R301.2020

² CSA Global Mineral Resource Estimate R280.2017

Stage 1 Kaolin Production in 2022 and Stage 2 Progress

WA Kaolin is on track for first production at its Wickepin Kaolin Project around mid-2022 after making significant progress on its Stage 1 development during the quarter. The Company is currently producing kaolin products using ore from Wickepin via its small-scale processing plant in Kwinana, Western Australia, for tier one customers.

WA Kaolin has a two-stage ramp up strategy. Stage 1 will see the production rate optimised up to 200,000tpa by end of CY22. The second stage will be to expand production to 400,000tpa.

During the quarter, WA Kaolin continued installation and commenced pre-commissioning on Stage 1 of its processing plant, with these activities remaining on budget. While COVID-19 impacted delivery of some equipment items to site, WA Kaolin continued to progress installation and pre-commissioning to still target commencement of production in mid CY22.

All process equipment was fabricated and on site by February, with installation completed by the end of Q1 CY22.

Post quarter, WA Kaolin reported that installation of all equipment and infrastructure required for the commencement of Stage 1 production is now complete. Additionally, the Company advised that all utilities are connected.

The Company is working on the final touches to the plant including material handling chutes, ducting and pipework and connection of services, allowing it to continue commissioning the plant. The Company has not been immune to the effects of COVID-19 in recent times, as evidenced in a lot of workplaces in Western Australia. Unfortunately, several staff have fallen ill to the virus at the Wickepin plant. If COVID-19 affects many more staff, there may be a short delay to start-up, otherwise some kaolin ore should be processed in May ahead of full production.

Throughout the development of Stage 1, the Company’s Kwinana proof of concept plant has continued operating with kaolin shipments seeding and developing markets. As such, WA Kaolin is experiencing unprecedented demand for its Stage 1 targeted production (200,000tpa) as new potential clients continue to emerge.

Due to this strong customer demand, elements of Stage 2 Capex (~\$4m) have been brought forward into the current construction phase, to take advantage of cost savings and to shorten the lead-time to implement the next increase of production capacity from 200,000 to 400,000 tonnes per annum (Stage 2).

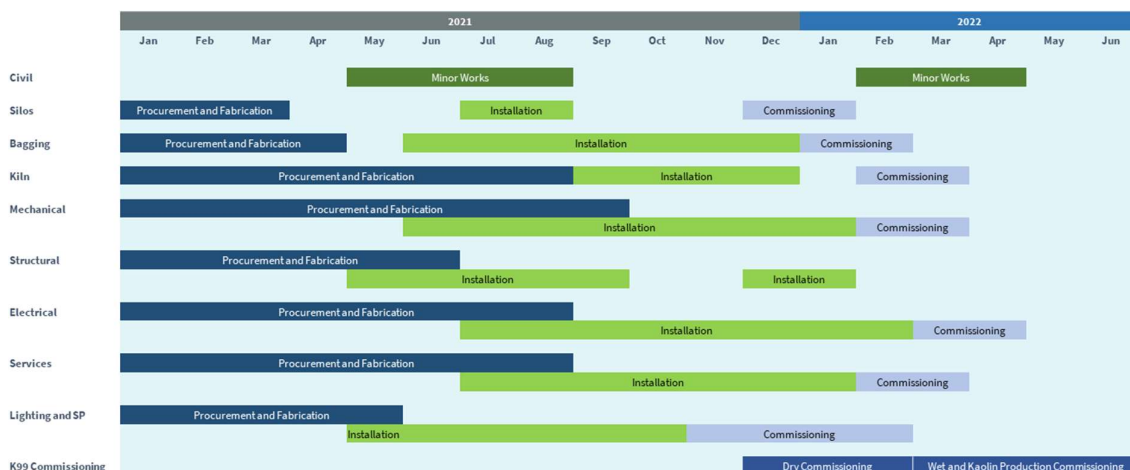


Figure 1. Stage 1 Project Program

Funding Secured for Stage 1 Ramp Up and Acceleration of Stage 2

WA Kaolin confirmed a capital raising comprising a A\$6.1m placement of new shares, a \$2.93m Share Purchase Plan to eligible shareholders, and a A\$5m secured working capital loan facility.

The Company secured the \$5m to replace the working capital spent in advance on Stage 2 and raised a further \$9m of new equity to add to Stage 2 infrastructure and further market developments.

Equity Raising

The Placement comprised a single tranche share placement of 33,888,889 fully paid ordinary shares (“New Shares”) at an issue price of A\$0.18 per New Share to sophisticated, professional and other institutional investors in Australia to raise A\$6.1 million (before costs). The issue price represented a 10% discount to the closing price of \$0.20 as at 4 February 2022 and a 12.6% discount to the 5-day trading Volume Weighted Average Price of A\$0.206.

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

Share Purchase Plan

Eligible shareholders with a registered address in Australia or New Zealand at 5.00pm (AEST) on 8 February 2022 were also invited to participate in the SPP at the same issue price as the Placement (A\$0.18 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 to A\$0.9 million (the Board having the right to take overs in its absolute discretion)
- The SPP underwritten up to the target amount of \$0.9 million

The SPP closed with applications received for 16,280,695 shares with the Board deciding not to scale back applications and accept all applications raising \$2.93m.

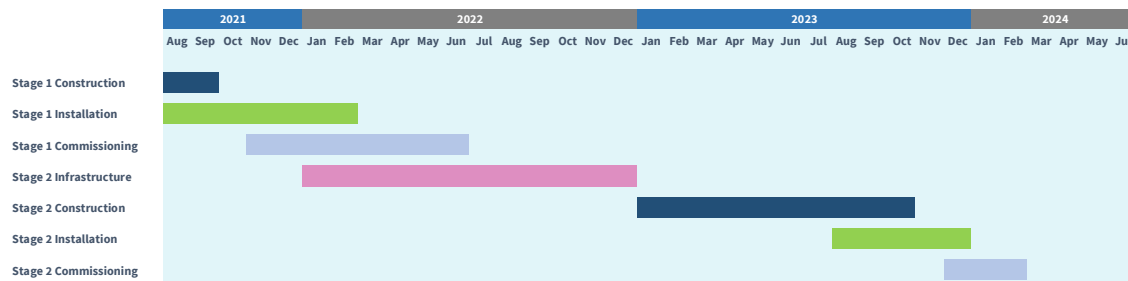
Canaccord Genuity (Australia) Limited acted as Lead Manager and Bookrunner to the Placement and Lead Manager and Underwriter to the SPP. JP Equity Partners acted as Co-Manager to the Placement.

Secured Working Capital Debt Facility

To support the Company’s ramp up of Stage 2 development, WA Kaolin has also secured a loan facility of \$5m provided by its Top 5 shareholder, Mr. Gordon Martin (Boneyard Investments Pty Ltd). The \$5m facility has a maturity date of three years from the date of advance at an interest rate of 8% per annum, with interest payable quarterly in arrears. A registered mortgage has been granted over the Company’s East Rockingham property as security for this loan.

Anticipated Program

WAK is pleased to provide the following indicative timetable to the Stage 2 work program:



Offtake Agreements Signed

WA Kaolin has signed two additional three-year offtake agreements, with 90% of its Stage 1 200,000tpa production rate now covered by offtake and LOI agreements.

In March, the Company announced it signed an agreement with a distributor servicing the rubber and ceramics markets in China for a period of three years, representing 5% of the total output from the Company’s Stage 1 ramp up of the Wickepin Kaolin Project, targeted to commence production in Q2 this year.

The Offtake Agreement is for the period 1 July 2022 through to 30 June 2025. Any renewal of the Agreement will be negotiated prior to 31 March 2025. Under the terms of the Offtake Agreement, WA Kaolin is to supply at targeted 10,000 tonnes per annum (minimum 3,000tpa) for three years. Pricing for the agreement will be competitive to the world kaolin market delivered on a cost and freight (CFR) basis and will be negotiated on a quarterly basis through mutual negotiation and agreement.

Post quarter, WA Kaolin signed an Offtake Agreement for a period of three years with a distributor in the ceramic and paint market in Vietnam. The Offtake Agreement is for the period 1 July 2022 through to 30 June 2025. Any renewal of the Agreement will be negotiated by 31 March 2025.

Under the terms of the Offtake Agreement, WA Kaolin is to supply a targeted 4,500tpa (minimum 2,500tpa) for three years. Pricing for the Agreement will be competitive to the world kaolin market delivered on a cost and freight (CFR) basis. Pricing of at least the minimum quantity will be negotiated on a quarterly basis through mutual negotiation and agreement.

Local Workforce and Sponsorships

WA Kaolin is committed where possible, to build its workforce from the local Wickepin and surrounding community. The Company has made the following appointments from within the local community:

- Logistics & Procurement Manager
- HSE & Manager/Deputy Mine Manager
- Office Administrator
- Maintenance Supervisor
- QA/QC Officer, incl Mine Plan Drilling, plus Laboratory Technician
- Trades Assistants (who will transition into production roles once the construction is completed)

The Company is also committed to providing sponsorships within the community, with recent examples including St John Country Ambulance Service (donation towards new defibrillator devices for the ambulances), Wickepin Football Club, Wickepin Bowling Club, Upper Great Southern Hockey Association and the Wickepin Car Rally.

Corporate

In accordance with Listing Rule 5.3.5, \$278,472 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$41,682
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of an executive director (per contract of employment as Territory Sales Executive): \$20,041
- Reimbursement of expenses relating to the construction of the Company's Wickepin Project to entities associated with an executive director (at arm's length, no mark-up applied): \$28,683
- Royalties paid to an entity associated with an executive director (per Royalty Agreement): \$4,066
- Fees paid to the executive director: \$184,000 (per consultancy deed; includes back payment of 14 months' increase)

As at 31 March 2022 the Company had \$12,334,630 in cash on hand.

Appointment of non-executive director

WA Kaolin appointed Mr. Rod Baxter as non-executive director to the Board, effective mid-March 2022.

Mr Baxter is a highly respected mining executive and seasoned director, who has extensive international and multi-sector experience. Previous leadership roles include Managing Director and Non-executive Director of listed and unlisted companies. Rod is currently a non-executive director on the Boards of Podium Minerals Ltd, Trigg Mining Ltd, Ausenco, and Cullen Wines, and has operated across several different industry sectors in Australia and internationally.

Mr Baxter has an established track record of successfully transforming businesses and delivering substantial company growth through organic expansion, M&A, and IPO's, generating healthy returns for investors.

In his executive career, he has held operational, functional, and company leadership positions in global organisations operating across a number of continents in three different industry sectors: Global diversified mining resources, engineering construction, and manufacturing.

Investor presentation

In March, WA Kaolin Chief Executive Officer, Mr Andrew Sorensen, gave a virtual presentation to shareholders and investors at the NWR Near Term Producers Conference. The presentation can be found on the ASX announcement dated 24 March 2022.

*****ENDS*****

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

For further information, please contact:

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Project Background

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.

As part of the process, the Company has undertaken trial mining and processing to ensure proof of concept and to produce product for, amongst other things, establishing customer confidence and price discovery.

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:

- A **Probable Ore Reserve of 30.5 million tonnes** (Table 1) in the mining lease which is part of and included in;
- An **Inferred Mineral Resource (reported in 2017) of 644.5 million tonnes** (Table 2) of high-grade premium kaolinised granite across all tenements.

Table 1. Ore Reserves by JORC Classification

JORC classification	Tonnes (Mt)	ISO brightness (%)	Yield (%)	In situ Kaolin (Mt)
			(<45 µm in size)	
Proved				
Probable	30.5	83.7	51.8	15.8
Total	30.5	83.7	51.8	15.8

Source: CSA Global Report No. R301.2020 – 30th July 2020

Table 2. Inferred Mineral Resources (<45 µm), WA Kaolin Project

	Kaolinized granite (Mt)	ISO brightness (%)	Yield (%)	Kaolin (Mt)
Total	644.5	75.8	44.0	283.6

Source: CSA Global Report No. R280.2017 – 3rd August 2017

WA Kaolin developed a dry processing method, the K99 Process, at its plant in Kwinana, which together with the high-grade Wickepin kaolin resource, 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.

Estimates and production targets

The Mineral Resources, Ore Reserves and production targets referred to in this announcement were previously reported in the Prospectus dated 11 October 2020 and released to the ASX on 24 November 2020 and the Definitive Feasibility Study announcements released on 24 and 25 November 2020. WA Kaolin confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimates, production target or forecast financial information derived from a production target continue to apply and have not materially changed.

Forward Looking Statements

This ASX announcement may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on WAK's current expectations, estimates and assumptions about the industry in which WAK operates, and beliefs and assumptions regarding WAK's future performance. Any forward-looking statements, that are inconsistent with previous forward-looking statements made by the Company supersede those previous statements or prevail to the extent of any inconsistency. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of WAK. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law, WAK does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based.

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.

With more than \$42 million invested in the project prior to the Company's IPO in November 2020, WA Kaolin has developed a proprietary dry processing method, known as K99, to turn raw material into market suitable feedstock for global customers, and constructed a small-scale commercial processing plant on 3ha of portside industrial land at Kwinana, WA. The Company is focused on increasing production from Wickepin to 400,000 tonnes per annum by 2023 with further modular increases to capacity to be implemented in tune with market demand and funding capability

¹ The Mineral Resource estimate is inclusive of Ore Reserves.

² CSA Global Mineral Resource Estimate R280.2017

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

WA KAOLIN LIMITED

ABN

56 083 187 017

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	465	902
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(646)	(2,386)
(d) staff costs	(398)	(1,158)
(e) administration and corporate costs	(563)	(1,298)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	12
1.5 Interest and other costs of finance paid	(114)	(397)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	206
1.8 Other (provide details if material)	24	42
1.9 Net cash from / (used in) operating activities	(1,228)	(4,077)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2,006)	(8,030)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2,006)	(8,030)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	9,031	9,031
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(353)	(353)
3.5 Proceeds from borrowings	5,113	5,142
3.6 Repayment of borrowings	(96)	(294)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	13,695	13,526

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,874	10,916
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,228)	(4,077)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,006)	(8,030)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	13,695	13,526

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,335	12,335

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,335	1,874
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,335	1,874

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	250
6.2	Aggregate amount of payments to related parties and their associates included in item 2	28

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,500	5,378
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,500	5,378
7.5	Unused financing facilities available at quarter end		122
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>1) <i>Toyota Fleet Management – 4 x Hire Purchase agreements at varying interest rates for mobile equipment and motor vehicle (secured)</i></p> <p>2) <i>\$5m Loan facility from Boneyard Investments Pty Ltd (3 year term from Feb 2022, 8% interest rate, interest only payments quarterly in arrears, secured by mortgage over Company property located in East Rockingham, Western Australia).</i></p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,228)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,228)
8.4	Cash and cash equivalents at quarter end (item 4.6)	12,335
8.5	Unused finance facilities available at quarter end (item 7.5)	122
8.6	Total available funding (item 8.4 + item 8.5)	12,457
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	10.1
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: n/a	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: n/a	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 29 April 2022

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.