

ASX Announcement

26 November 2020

WA Kaolin lists on ASX following oversubscribed \$22m IPO

Key Highlights

- WA Kaolin lists on the ASX today after raising \$22 million at \$0.20/share with an implied market capitalisation of A\$56.5 million
- Initial Public Offer was heavily oversubscribed
- WA Kaolin owns the high quality, long-life, permitted Wickepin Kaolin Project, 220km south-east of Perth from which it is currently producing kaolin products for its tier one customers
- Offtake agreement / LOIs / binding contracts amount to a total target offtake for the first 3 years of 551,000t - representing **83% of targeted production of 664kt for those years**
- Project **Ore Reserve Estimate (JORC 2012) of 30.5¹ million tonnes** of kaolinised granite and access to a further **644.5 million tonnes of Mineral Resource**
- Wickepin Kaolin Project is **one of the world's largest remaining primary resources** delivering a long life of mine of more than 30 years with high brightness and low impurities – suitable for all Kaolin market applications
- Definitive Feasibility Study with robust economics supports WAK's staged plans to ramp up kaolin production to 400,000tpa
- WA Kaolin is now fully funded to immediately commence 200ktpa Stage 1 construction and production
- **There is significant scope to further increase the production** - As per Stages 1 and 2 construction and ramp-up, the Company intends to implement further 200ktpa modular increases to capacity subject to adequate demand and funding

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX:WAK) is pleased to announce it has commenced trading on the Australian Securities Exchange (ASX) at 11:30 am (AEDST) today after completing an oversubscribed Initial Public Offer (“**IPO**”) that raised \$22 million. The Company has an implied market capitalisation of \$56.5 million upon listing after issuing 110 million shares at \$0.20 per share in its IPO.

Canaccord Genuity (Australia) Limited acted as lead manager to the IPO with JP Equity Partners acting as Co-Manager.

¹ CSA Global Ore Reserve Estimate R301.2020

WA Kaolin’s CEO Andrew Sorensen said today, *“This world-class resource at Wickepin is one of the largest known remaining premium primary resources of kaolin globally and is characterised by its purity, quality and brightness, producing kaolin products that typically attract higher prices from a growing collection of top tier customers.*

“The Company developed its proprietary K99 Process in a working plant at Kwinana, south of Perth, and this technology coupled with the high-quality nature of the Wickepin resource, delivers ultra-bright kaolin with a low cost of production, compared with other processes that use chemical bleaching and multiple wet mechanical and magnetic separation methods.

“We are looking to boost production at Wickepin, and funds from our IPO will allow us to accelerate that process.

“We wish to thank investors who have supported us in the Pre-IPO and IPO fundraisings, and we look forward to a long and prosperous relationship moving forwards as we develop the Wickepin Kaolin Project.”



Figure 1: Aerial view of the Wickepin Kaolin Project Pit 2

Definitive Feasibility Study

WA Kaolin has released a Definitive Feasibility Study (“**DFS**”) for the Wickepin Project (see ASX announcements titled “Definitive Feasibility Study – 1 of 3” and “Definitive Feasibility Study – 2 of 3” dated 24 November 2020 and announcement titled “Definitive Feasibility Study – 3 of 3” dated 25 November 2020) with robust economics (summarised in Table 1), which detailed the potential to ramp up production to 400,000 tonnes of kaolin per year.



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Key Financial Parameters	Value	Average per year
NPV* LOM (\$k)	256,709	
IRR	47%	
Kaolin Sold	12 years of Project operations	
kt	3,760	313
\$k	1,208,159	100,680
Average \$/t	321	
EBITDA		
\$k	350,594	29,216
Profit Before Tax		
\$k	342,200	28,517
% of Sales Revenue	28%	
Profit After Tax		
\$k	261,276	21,773
% of Sales Revenue	22%	
Cashflow from Operations	250,423	20,869

Note: The average figures given above are for the first 12 years of the Wickepin Project life that have been modelled in detail in the financial model in the DFS.

Table 1: Stage 1 and 2 Definitive Feasibility Study Summary

There is scope to further increase production capacity beyond the 400,000tpa due to the extensive Mineral Resource inventory within the granted mining lease.

Use of Funds

WA Kaolin will use IPO proceeds towards, among other things, its staged expansion program which involves the construction of a new processing plant at East Wickepin, Western Australia which is scheduled to take 12 months to complete. Kaolin production will increase to 200,000 tonnes per annum by the end of calendar year 2022 with additional modular increases to production planned in tune with market demand and funding capability.

IPO RAISING – USE OF FUNDS	\$m
CAPEX (Wickepin) - plant & equipment	16.0
IPO Costs (including convertible note interest)	1.66
Owners' Loan	0.7
Debt Reduction	1.8
Creditors	0.2
Working Capital	1.64
Total	22.0

Note 1: Total Capex is \$18m, partially funded from pre-IPO funds



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Wickepin Kaolin Project

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 acquiring its world-class kaolin resource from Rio Tinto in 1999, WA Kaolin co-founders and owners have 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.

WA Kaolin is the sole owner of the Wickepin Project which comprises a mining lease, a general-purpose lease, a miscellaneous licence and retention licences. The Wickepin Project, which is one of the largest known remaining kaolin resources in the world, contains:

- A **Probable Ore Reserve** of 30.5 million tonnes and a Mineral Resource (reported in 2019) of 109.1 million tonnes in the mining lease; and
- An **Inferred Mineral Resource** (reported in 2017) of 644.5 million tonnes of high-grade premium kaolinised granite across all tenements.

Classification	Kaolinize granite (Mt)	ISO brightness (%)	Yield (%)	Kaolin (Mt)
Measured	38.0	82	51	21.3
Indicated	27.7	83	50	13.9
Inferred	43.3	83	49	19.3
Total	109.1	82	50	54.5

Table 2: Mineral Resources (<45um), M70/1143, May 2019

WA Kaolin has developed its 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.

The Kwinana plant is currently producing at a production rate of up to 5 tonnes per hour.

Existing Mining and Operation

WAK’s existing mining and Kwinana processing operations will continue during the Stage 1 construction and commissioning at East Wickepin to service the strong demand of WAK’s growing list of customers.



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The forward order book for the Kwinana plant is strong with production orders fully booked through to the first quarter of 2021.

The construction program has begun with the earthworks for the processing plant completed ready for the construction footings and concrete to begin. The long lead time processing plant elements have been ordered and are on track to be delivered to East Wickepin on schedule. The Stage 1 construction program will continue over the next 9 months with commissioning of the plant scheduled for the 3rd quarter of 2021. The Company looks forward to providing regular updates to investors as the construction and commissioning program progress over the next 12 months.



Figure 2: Wickepin Stage 1 earthworks in construction

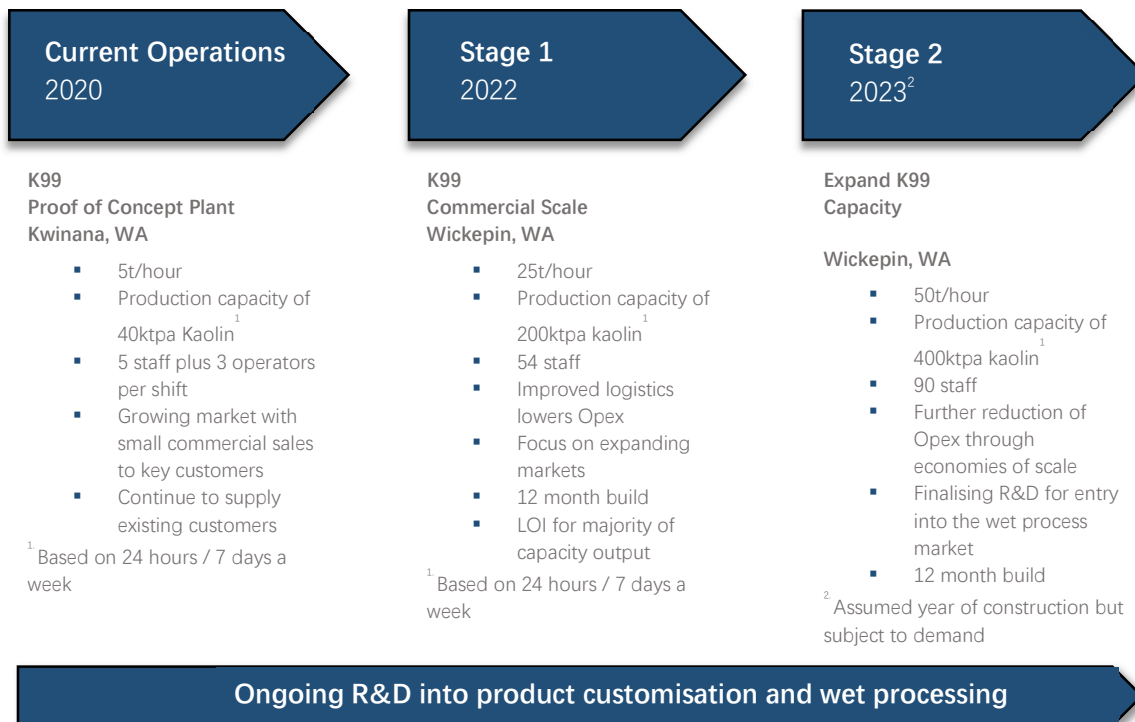


Figure 3: Modular expansion stages 1 and 2

Offtake Agreements

WA Kaolin is also continuing its marketing efforts to build on its list of existing customers in Australia, Japan, Vietnam and China who have signed contracts, LOIs and an offtake agreement.

In May 2020, the Company formalised an offtake agreement with one of its key customers, for the supply of 338,000 tonnes of kaolin over six years. It also has in place letters of intent and ongoing contracts with other key distributors and customers, which further support the Company's targeted production of kaolin.

In years 1 to 3 of production at Wickepin, the sum of offtake agreements and non-binding letters of intent in place amounts to a total target offtake for the first 3 years of 551,000t, representing 83% of targeted production of 664kt for those years.

WA Kaolin will advise potential customers in the paper and plasterboard, ceramics, fibreglass, paints and coatings, plastics, rubber, pharmaceuticals and medicine, cosmetics, concrete and agriculture markets of the successful IPO and production capacity coming on stream in 2021 to potentially secure additional contracts and offtakes.

Further offtake negotiations are currently in progress with other customers and WAK will provide further updates to investors as contracts and offtakes are secured.



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Future Uses

Paper and Packaging

WA Kaolin may choose to enter the premium paper and packaging market through the construction of additional wet processing facilities. A wet processing facility could be constructed at WA Kaolin's Wedin rail site (Wickepin), or satellite facilities using K99 feedstock could be constructed offshore co-located with offtake partners (potentially through JV arrangements)

WA Kaolin has already secured product approvals for its wet process product with major paper producers in China, Japan and Korea and intends to continue R&D to optimise its wet process technology for volume production and will conduct further market testing of its wet process product.

High Purity Alumina ("HPA")

The purity, particularly with respect to Iron Oxide, Titanium Dioxide and Sodium content of WA Kaolin's deposits present as an optimal feedstock for the direct synthesis of HPA 4N and 5N from kaolin ore. WA Kaolin will monitor this market and stands ready to move into the HPA market at the appropriate time.

Metakaolin

WA Kaolin will advance and commercialise the technology to produce Metakaolin at its Kwinana pilot plant facility. Metakaolin is used as part of alkali activated geopolymer cements that do not require the extremely high temperature processing that is critical to the Portland cement process. Geopolymer cements could reduce CO₂ emissions by as much as 80%.

ENDS

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



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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.

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^{2,3} 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 to date, 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.

² The Mineral Resource estimate is inclusive of Ore Reserves and the 2019 Mineral Resource estimate.

³ CSA Global Mineral Resource Estimate R280.2017



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