

December 2020 Quarterly Activities Report

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to provide an update on its activities for the December 2020 quarter, following its listing on the Australian Securities Exchange (ASX) on 26 November 2020.

Highlights

- WA Kaolin listed on the ASX in November 2020 following an oversubscribed Initial Public Offer (IPO) raising \$22 million
- WA Kaolin has commenced construction of the 200,000tpa processing facilities at its Wickepin operation
 - During the quarter, construction activities included the earthworks in preparation for the plant building slab, drainage works and completion of building foundations ahead of the arrival of demountable offices, crib room facilities
 - 150,000-litre water tank was installed and filled
- Early-stage construction works are on schedule and budget
- The Company has awarded several key contracts for the construction of Stage 1, including:
 - Building Structural Design & Construction
 - Rotary kiln
 - Product silos
 - Automated container loading system
 - Water tanks
 - The long lead time processing plant elements have been ordered and are on track to be delivered to East Wickepin on schedule. Key items of machinery integral to the construction program were also purchased, including the Telescopic Handler and Construction Power Genset and construction and fabrication of eight bulk bag filling frames ready to accept the materials handling automation equipment
 - **With the exception of the automated container loading system, these contracts were awarded to West Australian companies.**

The Stage 1 construction program will continue over the next 9 months, with commissioning of the plant scheduled for Q3 2021, which will allow the Company to achieve its production capacity of 200,000 tonnes per annum by the end of calendar year 2021. Additional modular increases to production are planned in line with market demand and funding capability.

Production continues at the company’s Kwinana operations, producing at a rate of up to 5 tonnes per hour. Significantly, WA Kaolin received its first commercial order for its new product, CG-15, during December. CG-15 is a new granulated product for the ceramics industry that WA Kaolin has been developing over the past 18 months, with a successful trial order in July.

Concurrently, WA Kaolin continues to develop and expand its customer base using material produced at the Kwinana pilot plant.

Stage 1 Construction, Wickepin



Figure 1: Aerial view of the commencement of building works at Wickepin



Figures 2 and 3: Commencement of steelworks at Wickepin

Corporate

WAK listed on 26th November 2020 with 640 shareholders after raising \$22m which capitalised the company at \$56m being 286m shares at circa 20c. Some 124m shares were escrowed and the Top 20 shareholders owned 196m shares being 69%.

The top 20 remains largely unchanged and owns 187m shares being 66% of the shares on issue. The number of shareholders has more than doubled to 1419.

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, which has a 644.5 million tonne Mineral Resource, which includes an Ore Reserve Estimate of 30.5 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.

Prior to listing, WA Kaolin released a Definitive Feasibility Study (“DFS”) for its Wickepin Project, which highlighted the robust economics of the plan to ramp up kaolin production to 400,000tpa.

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 (ASX Announcement 26 November 2020)

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

In accordance with Listing Rule 5.3.5, \$125,000 was paid to related parties or their associates during the quarter. These comprise non-executive director fees and superannuation accrued since May 2020 (\$112,000) and salaries and superannuation to an associate of a related party (\$13,000).

Resources and Reserves

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

Existing Mining and Operations

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.

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

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 three years of 551,000t, representing 83% of targeted production of 664kt for those years.

Further offtake negotiations are currently in progress with other customers.

*****ENDS*****

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

For further information, please contact:

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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.

Competent Persons Statements

Ore Reserve (JORC 2012) ref R301.2020

The information that relates to Ore Reserves is based on information compiled by Mr Anoop Antu Kachappilly and reviewed by Mr Karl van Olden, both employees of CSA Global Pty Ltd. Mr van Olden takes overall responsibility for the Report as Competent Person. Mr van Olden is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as Competent Person in terms of the JORC (2012 Edition). The Competent Person, Karl van Olden has reviewed the Ore Reserve statement and given permission for the publication of this information in the form and context within which it appears.

Mineral Resource (JORC 2012) ref R280.2017

The information in this report that relates to Mineral Resources has been compiled by Mathew Cobb, who is a full-time employee of CSA Global under the supervision of Ian Wilson, who is an independent consultant with over 40 years' experience in kaolin deposit exploration, definition and development. Dr Cobb is a Member of the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy and Dr Wilson is both a member the Institution of Materials Mining and Metallurgy and a fellow of the Geological Society of London. Dr Wilson assumes overall responsibility for the Mineral Resource reported herein, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are supervising to qualify as a Competent Person as defined in the JORC Code. Dr Wilson consents to the disclosure of this information in this report in the form and context in which it appears.

Mineral Resource (JORC 2012) ref R351.2019

The information in this report that relates to Sampling Techniques, Data Collection and Exploration Results has been compiled by Dr Ian Wilson, who is an independent consultant to WA Kaolin Holdings Pty Ltd. Dr Wilson has over 40 years' experience in kaolin deposit exploration, definition and development. Dr Wilson is both a member the Institution of Materials Mining and Metallurgy and a fellow of the Geological Society of London. Dr Wilson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are supervising to qualify as a Competent Person as defined in the JORC Code. Dr Wilson consents to the disclosure of this information in this report in the form and context in which it appears.

The information in this report that relates to Mineral Resources has been compiled by Dr Matthew Cobb, who is a full-time employee of CSA Global. Dr Cobb is a Member of the Australian Institute of Geoscientists, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are supervising to qualify as a Competent Person as defined in the JORC Code. Dr Cobb consents to the disclosure of this information in this report in the form and context in which it appears.

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.

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, 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.

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 **Inferred Mineral Resource (reported in 2017) of 644.5 million tonnes**^{1,2} of high-grade premium kaolinised granite across all tenements which includes;
- A **Probable Ore Reserve of 30.5 million tonnes** in the mining lease.

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.

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 and the 2019 Mineral Resource estimate.

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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	202	349
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(452)	(1,048)
(d) staff costs	(122)	(443)
(e) administration and corporate costs	(392)	(667)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	8
1.5 Interest and other costs of finance paid	(292)	(386)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	14	54
1.8 Other (provide details if material)	(21)	(35)
1.9 Net cash from / (used in) operating activities	(1,057)	(2,168)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,421)	(1,424)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(1,421)	(1,424)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	22,000	22,000
3.2 Proceeds from issue of convertible debt securities	-	2,819
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1,793)	(2,241)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2,500)	(2,818)
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	17,707	19,760

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,961	2,020
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,058)	(2,167)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,421)	(1,424)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	17,707	19,760

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	18,189	18,189

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	18,189	2,961
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)	18,189	2,961

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	125
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,167)
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)	(2,167)
8.4 Cash and cash equivalents at quarter end (item 4.6)	18,189
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	18,189
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	8.4
<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: Yes; for the time being until the construction and commissioning of the Wickepin plant is completed at the end of calendar 2021.	
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: No; not required as the Company has sufficient cash at bank to fund its operations and capital expenditure.	

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: Yes; the Company has sufficient cash to meet its business objectives which materially includes the construction of the plant at Wickepin, which will increase production output.

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: 28 January 2021

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.