

September 2021 Quarterly Activities Report

Highlights

- **Stage 1 work program progressing well**
- **Due to global delays within the shipping industry, commissioning of Stage 1 is likely to continue throughout Q1 2022**
- **15-year water supply agreement signed with the Western Australian Water Corporation**
- **Contract with Haver & Boecker for a 20kg bagging solution for kaolin paves the way for higher market prices**
- **Purchase and testing of key component generators complete with installation underway**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to provide an update on its activities for the September 2021 quarter.

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, which contains an Ore Reserve Estimate of 30.5 million tonnes of kaolinised granite included in a 644.5 million tonne Inferred Mineral Resource. 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 strategy.

Chief Executive Officer Andrew Sorensen stated,

“As we enter Q4 2021, we are proud to advise that the Stage 1 build of the Wickepin Kaolin Project is nearing completion. The project timeline has slipped very slightly, impacted by supply delays being experienced due to interruptions within the global shipping industry (COVID-19 related).

At this stage we anticipate commissioning to continue into Q2 2022, subject to any further delays in supply delivery. Whilst this small slippage in completion is unfortunate, it has no impact on the overall budget of the Stage 1 build. I am incredibly proud of my team and our contractors for their outstanding achievements to date as we near completion of the Stage 1 build, given current labour demand pressures and the ongoing impact that COVID has had on all facets of the development.

Given the slight delay in the completion of commissioning, it is prudent for WAK to advise that first production from Stage 1 is now likely to commence in Q2 2022. WAK will continue to keep the market updated on any changes to this anticipated timeline.”

Stage 1 Work Program

Construction continues in earnest on-site at the Wickepin Project as the Company targets installation to be completed in Q4 2021.

As detailed in Table 1 below and highlighted in WAK’s June Quarterly report (ASX Announcement 27th July 2021), the ongoing effects of COVID-19 have impacted the Company’s schedule.

Whilst all of the equipment for the project has been fabricated, the delivery of some equipment sourced from Asia is behind schedule due to container shipping delays, which will result in the Stage 1 Work Program commissioning continuing throughout Q1 2022, with production anticipated in Q2 2022.

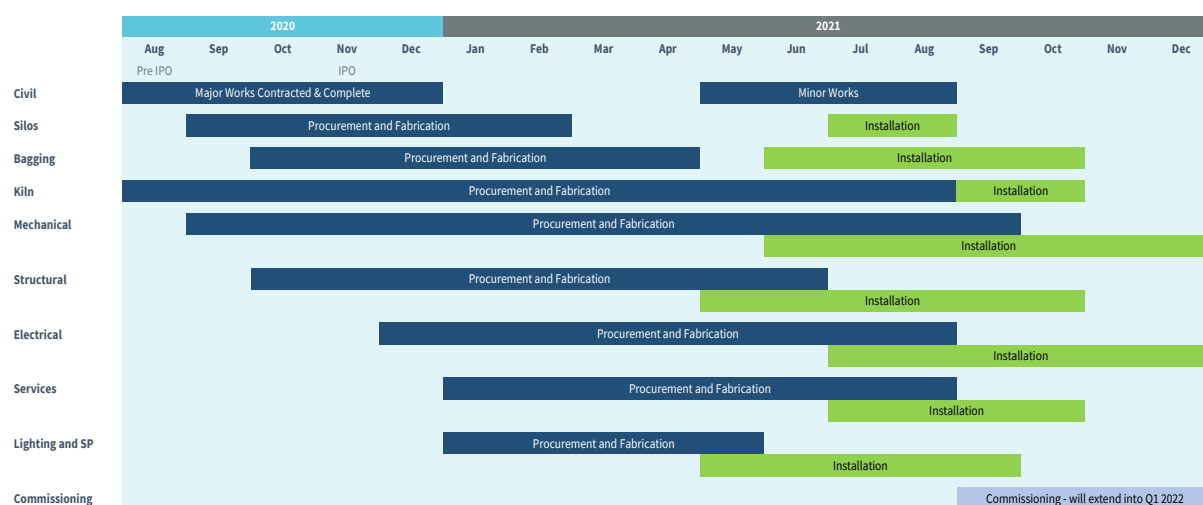


Table 1. Stage 1 Work Program

The Company is pleased to advise that the Stantil Engineering kiln, a central piece of equipment for the Processing Plant, has been delivered on-site at Wickepin with installation to occur in Q4.



Figures 1 and 2. Stantil Engineering kiln arriving onsite at Wickepin, installation to be carried out Q4

15-Year Water Supply Agreement

WA Kaolin recently announced that a 15-year agreement for the supply of water to the Company’s Wickepin Kaolin Project with the Western Australian Water Corporation has been signed. The supply of fresh water (a new lateral pipeline connection to the existing Water Corporation pipeline running along the Williams – Kondinin Road) is critical for the processing of kaolin, amenities at the mine site, fire management and dust suppression.

Over the period of this agreement, the Water Corporation will make available up to 49kL of water per day or 343kL per week to WA Kaolin. The Company will pay a one-off upfront capacity contribution and then a monthly variable charge depending on volume used (rates subject to annual review) with no minimum monthly requirement.

The agreement will commence shortly after the installation of a metering point by the Water Corporation, which is expected to take place by the end of October 2021.

Generator Purchase and Testing Complete

In Q3, WA Kaolin announced the purchase of three FG Wilson P550 generators (“**Gensets**”) from AllightSykes, a market leader in the design, manufacturing and distribution of lighting, dewatering and power solutions in Australia and New Zealand.

The Gensets are key components of the Stage 1 build at the Wickepin Kaolin Project, providing the main power source for the entire site. The purchase and subsequent successful testing of the Gensets is a significant milestone for WA Kaolin as it completes the entire utilities package for the Stage 1 Build.

WA Kaolin will use USLD10ppm diesel fuel and service the diesel engines in accordance with the manufacturer’s recommendations for optimum performance and to minimise emissions. The Company also advised that it is its intention in 2022 to source renewable solutions which will include solar panels to reduce the fuel used in the thermal generation plant, the engineering for which will be based on the first 6 months of operating data from the kaolin beneficiation plant.



Figure 3. Factory Acceptance Testing at AllightSykes’ Landsdale location



Figure 4. Gensets installed on-site at the Wickepin Project

Bagging Solution Contract Signed with Haver & Boecker

During September, WA Kaolin was pleased to announce that it had signed a contract with Haver & Boecker Australia (“**Haver & Boecker**”) for the supply of equipment that will form the basis of a bagging solution for the Company’s kaolin powder product, once production commences at Wickepin,

The equipment is designed to fill 700 valve bags per hour, each bag will be filled to 20kg, meaning WAK will have the capacity to pack more than half of the first stage design production capacity into 20kg bags. The market price for kaolin packed in 20kg bags exceeds that of kaolin packed in bulk bags so the addition of the equipment will have a positive impact on WAK’s profitability.

Haver & Boecker Australia, a WA based developer and manufacturer of high-performance processing and packing technology, is a subsidiary of the German-based Haver & Boecker, a world leader in the supply of valve bag filling equipment. Haver & Boecker is the supplier of choice for many of Australia’s largest companies for their high-volume powder packing equipment.

Packing trials were successfully completed at Haver & Boecker’s technical centre, following which WAK signed a contract for the supply of valve bag filling machine with auto bag placement.

WA Kaolin’s order will see Haver & Boecker supply a kaolin bagging solution including the Haver M-Series 4W, a valve bag filling machine, the Haver valve bag placer for four spouts and a flat belt conveyor. Haver & Boecker are due to deliver in nine months and will train WA Kaolin personnel in use of the machinery.

Corporate

In accordance with Listing Rule 5.3.5, \$215,259 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$43,199
- Salary, superannuation and vehicle allowance to the daughter of executive director (per contract of employment as Territory Sales Executive; note vehicle allowance of \$9,642 included in total was a backdated payment for the period from February 2020 to July 2021): \$26,339
- Purchase of construction supplies from a business owned by the son of executive director (at arm's length, no mark-up applied): \$2,965
- Payment for contractors supplied at the Company's Wickepin Project by an entity associated with executive director (per consultancy deed; at cost with 10% mark-up applied): \$24,115
- Royalties paid to an entity associated with executive director (per Royalty Agreement): \$10,373
- Landowner compensation at Wickepin paid to an entity associated with executive director (per Landowner Compensation Access Agreement for FY20 and FY21): \$16,754
- Fees paid to executive director: \$45,000 (per consultancy deed)
- Ordinary business expense reimbursements for operating expenses and project-related expenses to an entity associated with executive director (per consultancy deed, amounts were at cost with no mark-up applied): \$46,514

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** and a Mineral Resource (reported in 2019) of 109.1 million tonnes in the mining lease which is part of and included in;
- An **Inferred Mineral Resource (reported in 2017) of 644.5 million tonnes** of high-grade premium kaolinised granite across all tenements.

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 2021, 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 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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	131	131
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(206)	(206)
(d) staff costs	(286)	(286)
(e) administration and corporate costs	(414)	(414)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
1.5 Interest and other costs of finance paid	(142)	(142)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	8	8
1.9 Net cash from / (used in) operating activities	(903)	(903)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(3,582)	(3,582)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(3,582)	(3,582)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(117)	(117)
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	(117)	(117)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,916	10,916
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(903)	(903)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,582)	(3,582)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(117)	(117)

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,314	6,314

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	6,314	10,916
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)	6,314	10,916

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	162
6.2	Aggregate amount of payments to related parties and their associates included in item 2	54

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	500	337
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	337
7.5 Unused financing facilities available at quarter end		163
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.		
Toyota Fleet Management – 2 x Hire Purchase agreements at varying interest rates for mobile equipment (secured)		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(903)
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)	(903)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,314
8.5 Unused finance facilities available at quarter end (item 7.5)	163
8.6 Total available funding (item 8.4 + item 8.5)	6,477
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.17
<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	
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	
<i>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.</i>	

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: 25 October 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.