

December 2021 Quarterly Activities Report

Highlights

- **Stage 1 of the Wickepin Project is on-time/on-budget, despite significant building, infrastructure and equipment scope items for Stage 2 expansion having been implemented during Stage 1 to achieve overall cost efficiencies**
- **All process equipment is fabricated and on site and all installation and pre-commissioning will be complete by end Q1 CY2022**
- **Effects of COVID-19 on the Company's supply chain have been well managed and, apart from some increased shipping costs and delays, have caused little concern**
- **15-year water supply agreement with the Western Australian Water Corporation commences**
- **Kiln ready for gas connection and commissioning**
- **First production on track for Q2 CY2022; 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 CY2022**
- **Cash on hand of \$1.9m at 31 December 2021**

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

“The December quarter saw works continue on track at the Wickepin Project with stage 1 construction 90% completed and on target for completion in Q1 CY2022. While COVID-19 related delays have caused the project timeline a slight delay, we remain positive that first production from Stage 1 will commence in Q2 CY2022 and look forward to keeping the market updated on our progress.”

Works on track at Wickepin Project

Building works continue at the Wickepin Project as the Company targets construction and installation to be completed in early 2022. Building works at the Wickepin Project began in 2021, as reported in the September 2021 Quarterly Report (ASX announcement 25th October 2021).

Post quarter, WAK announced that installation is due for completion by the end of February 2022. First production is on track for Q2 CY2022. Production will commence at 25 tonnes per hour nameplate capacity and steadily increase to ~200,000 tonnes per hour rate by the end of CY2022.

WA Kaolin is currently producing kaolin products using ore from Wickepin via its small-scale processing plant in Kwinana, WA, for its tier one customers. WAK has a two-stage ramp up strategy. Stage one will see the production rate optimised up to 200,000tpa by end of CY2022. The second stage will be to expand production to 400,000tpa.

As detailed in Table 1 below and highlighted in WAK’s June 2021 Quarterly report (ASX Announcement 27th July 2021), due to the ongoing effects Covid-19 on suppliers and attendance including delays in steel availability, the Stage 1 Work Program commissioning extended into Q1 CY2022.

Installation of the Stantil Engineering kiln delivered in the previous quarter has now occurred. The Stantil Engineering kiln is a central piece of equipment for the Processing Plant and awaits gas connection and commissioning in late February 2022.



Figures 1 and 2. Stantil Engineering Kiln installed onsite.

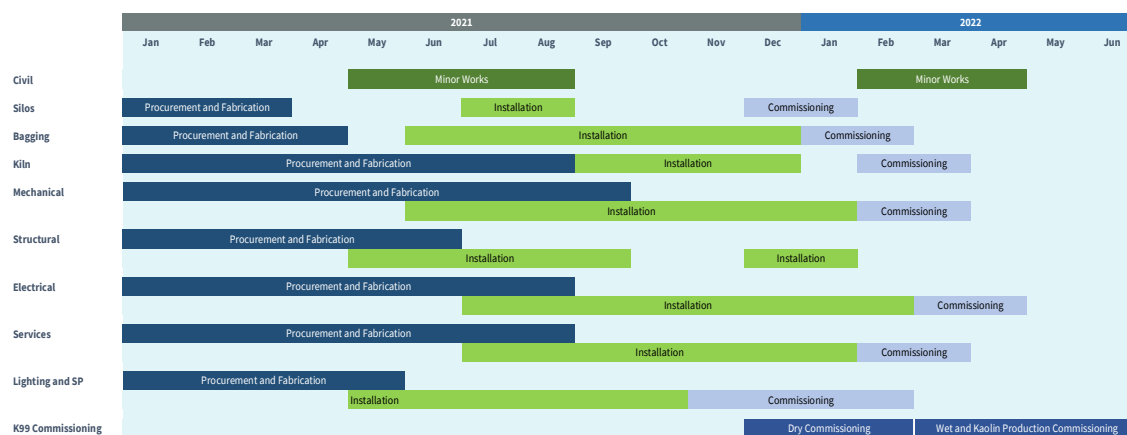


Table 1. Stage 1 Work Program

To view a short video of the recent progress on site at Wickepin please copy the following link to your browser:

<https://www.youtube.com/watch?v=DXojoqEL6FA>

Although disruptions and delays in supply chains are wide ranging in the resource sector and not unique to the Company, we are pleased to advise that these issues have been managed carefully with little to no effect on progress to date. The Company acknowledges that there is always a potential for delay in the building works should a COVID-19 outbreak cause a limit to site access by staff and contractors.

Commencement of 15-Year Water Supply Agreement

A 15-Year Water Supply Agreement has commenced, following installation of a metering point by the Western Australian Water Corporation. As reported to the ASX on 9 September 2021 WA Kaolin announced that it had entered into a 15-year agreement for the supply of water to the Company's Wickepin Kaolin Project with the Western Australian Water Corporation.

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.

This agreement is in addition to other key contracts entered into throughout 2021 including a 15-year contract for LNG supply and a bagging solution contract with a leading equipment supplier.

Local Workforce and Sponsorships

WA Kaolin is committed to where possible, building its work force from the local Wickepin and surrounding community. In recent months, the Company has made the following appointments from within the local community:

- Logistics Manager
- Procurement & OHS Officer
- Office Administrator
- Maintenance Supervisor
- Laboratory Technician
- Four 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.

Investor presentation

In October, WA Kaolin Chief Executive Officer, Mr Andrew Sorensen, gave a virtual presentation to shareholders and investors at the NWR Resources Series – Mining's Top Microcaps and Midcaps. The presentation can be found on the ASX announcement dated 5 October 2021.

Annual General Meeting

All resolutions put to the annual general meeting of shareholders held on 10 December 2021 passed on a poll with the requisite majority. The Chairman voted all undirected proxies held at his discretion in favour of each resolution.

In accordance with Listing Rule 3.13.2 and section 251AA of the Corporations Act 2011, details of the results and the proxies received in respect of each resolution are set out in the attachment to the ASX announcement dated 10 December 2021.

Corporate

In accordance with Listing Rule 5.3.5, \$209,137 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 performance bonus to the daughter of an executive director (per contract of employment as Territory Sales Executive): \$19,375
- Reimbursement of expenses relating to the construction of the Company's Wickepin Project to an entity associated with an executive director (at arm's length, no mark-up applied): \$26,745
- Payment for contractors supplied at the Company's Wickepin Project by an entity associated with an executive director (per consultancy deed, at cost with 10% mark-up applied): \$41,454
- Royalties paid to an entity associated with an executive director (per Royalty Agreement): \$2,131
- Landowner compensation for waterline access and water usage at Wickepin paid to an entity associated with an executive director: \$7,750
- Fees paid to an executive director: \$45,000 (per consultancy deed)
- Loan repayment to an entity associated with an executive director: \$25,000

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")

31 December 2021

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	306	437
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(1,535)	(1,741)
(d) staff costs	(474)	(760)
(e) administration and corporate costs	(320)	(734)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	8
1.5 Interest and other costs of finance paid	(141)	(283)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	206	206
1.8 Other (provide details if material)	10	18
1.9 Net cash from / (used in) operating activities	(1,946)	(2,849)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2,442)	(6,024)
(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	(2,442)	(6,024)

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	29	29
3.6 Repayment of borrowings	(81)	(198)
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	(52)	(169)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,314	10,916
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,946)	(2,849)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,442)	(6,024)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(52)	(169)

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	1,874	1,874

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	1,874	6,314
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)	1,874	6,314

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	141
6.2	Aggregate amount of payments to related parties and their associates included in item 2	68
<i>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.</i>		

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	313
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	313
7.5 Unused financing facilities available at quarter end		187
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.		
<i>Toyota Fleet Management – 3 x Hire Purchase agreements at varying interest rates for mobile equipment and motor vehicle (secured)</i>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,946)
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)	(1,946)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,874
8.5 Unused finance facilities available at quarter end (item 7.5)	187
8.6 Total available funding (item 8.4 + item 8.5)	2,061
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.06
<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: The Company has prepaid a significant amount of mining expenses during the period in the sum of \$0.7m in order to stockpile ore destined for the production process. Although this amount is not likely to be spent in the current quarter, the Company is heading toward commissioning and then into production where other operating costs will be incurred.	
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: The Company has spent considerable time reviewing its options in relation to funding over the past three months, including both debt and equity, as it will require further funds before it goes into full production. The Company is very confident that it will be successful in raising further funds.	

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: On the basis that further funding is obtained, and the fact that the Company is heading into full production close to the end of the next quarter, the Company is confident it will meet its business objectives.

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: 31 January 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.