

31 October 2022

September 2022 Quarterly Activities Report

Highlights

- **WA Kaolin Ltd achieves highest sales revenue on record in September as production ramps up at the Wickepin plant**
- **WAK has exceeded 80% plant design capacity and is rapidly approaching nameplate capacity of 25 tonnes per hour**
- **WAK shipped its first customer order of kaolin produced at the new Wickepin processing plant**
- **Appointment of Mr Patrick Walta as Non-Executive Director**
- **Research and development for metakaolin and pilot production of paper grade kaolin, in the existing wet process plant, will recommence as production at the Kwinana pilot plant draws to a close**
- **Contract executed with ACFS Port Logistics Pty Ltd for transport of kaolin between Wickepin processing plant and Fremantle Port for export**

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

The Company holds the Wickepin Kaolin Project, 220km south-east of Perth, which has a 644.5 million tonne Mineral Resource, including an Ore Reserve Estimate of 30.5 million tonnes of kaolinised granite.

Chief Executive Officer Andrew Sorensen stated

“The September quarter was a momentous period for WA Kaolin as we put the finishing touches on the commissioning of Stage 1 at our Wickepin Kaolin Project. With the commissioning officially completed in the final days of the quarter, WA Kaolin is now ramping up production towards the targeted Stage 1 output of 200,000tpa and looking ahead to the Stage 2 expansion. The company set a new sales revenue record in September, achieving 30% higher revenue than our previous best total. It was a great result especially as export contracts were executed with customers in Japan and Vietnam as well as our long-standing customer in Taiwan.”

“Completing the commissioning phase is an outstanding achievement by the WAK team which has worked tirelessly to reach this goal and done so in a safe manner. This milestone has also been many years in the making for several members of the WAK board and management team, some of which have guided the project’s development since it was acquired from Rio Tinto in 1999. We now look forward to supplying the high quality, premium grade kaolin product from Wickepin to our partners in the Australian and international marketplace in the years ahead.”

Commissioning Completed at Wickepin Plant

Post quarter’s end, WA Kaolin notified the Department of Water and Environmental Regulation (DWER) of the completion of the commissioning phase of the processing plant at the Company’s wholly owned Wickepin Kaolin Project. Since, WA Kaolin has commenced the initial production phase, approaching nameplate capacity of 25 tonnes per hour (tph) production rate of its high-quality kaolin on time and within budget.

Please copy the following link below to view a short video of our onsite operations at Wickepin Kaolin Project: https://www.youtube.com/watch?v=HnQLd2nc_1I

Following the successful conclusion of the commissioning stage of the project on Thursday 29 September, the Company completed its first shipment of kaolin K99 produced at the new Wickepin processing plant to a Western Australian client on 3 October 2022 (refer Figure 1).

The processing plant has been constructed to utilise WA Kaolin’s proprietary dry processing method, the ‘K99 process’, developed by the Company specifically for the high-grade Wickepin kaolin resource. The K99 Process will produce 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.

WA Kaolin has in place offtake agreements and LOIs securing contracts covering 90% of the targeted Stage 1 output of 200,000tpa kaolin. Commencement of Stage 1 operations paves way for the development of Stage 2 which will see annual production rates of high-quality kaolin increase to 400,000tpa. The commissioning phase was achieved with an outstanding safety record.



Figure 1. Wickepin kaolin K99 being loaded for delivery to a Western Australian client

Wickepin Kaolin Project Appointments

WA Kaolin has strengthened its operational team at the Wickepin Kaolin Project. The Company has appointed local resident George Joldescu as its Operations Superintendent. George was Operations Manager for Linx Cargo Care Group prior to an operations role at First Quantum Minerals, Ravensthorpe Nickel Operations.

The Company has also appointed David Griffiths as Maintenance Manager at the Wickepin Kaolin Project. Mr Griffiths, who is also a local resident and has more than 25 years’ experience working with heavy machinery, commenced his role on 11th July and is based on site at Wickepin.

WA Kaolin is strongly committed to employing residents from Western Australia’s Wheatbelt region for roles at the Wickepin Kaolin Project. The Company now has ten employees in its workforce who reside locally.

Research and Development Activities at Kwinana Pilot Plant

As small-scale production at the Kwinana pilot plant draws to a close, WA Kaolin will recommence research and development activities of Metakaolin and re-open the existing wet process pilot plant for paper grade kaolin. These innovations are key to future growth of the company:

- Metakaolin is increasingly being used in mortars and concrete admixtures. Metakaolin, when used as an alternative to Portland cement in concrete, contributes to the reduction of porosity and pore structure refinement which results in increasing the durability of concrete through the improved resistance to chloride penetration and controlled expansion due alkali-aggregate reaction. Metakaolin can also be used as a pozzolan to cut cement industry CO₂ emissions. WA Kaolin will continue its partnership with Curtin University and the Geopolymer Institute in France, in developing its Metakaolin technology.
- Paper grade kaolin accounted for approximately 39% of global kaolin sales in 2021. Kaolin coating improves the appearance of paper giving it smoothness, brightness, printability and varied level of gloss. WA Kaolin will continue development of low-cost technology for paper grade kaolin production and use the Kwinana pilot plant to develop the market for this premium grade product.

Transport Contract with ACFS Port Logistics Pty Ltd

WA Kaolin advised the Company had signed a transport contract with ACFS Port Logistics Pty Ltd (ACFS) for transport services between the Wickepin Kaolin Project and ACFS's Fremantle Port facility in Western Australia.

Under the agreement, ACFS will transport bagged kaolin by container from the Wickepin Processing Plant to Fremantle Port for export. The contract will initially span one year with a two-year renewal option. A further 12-month extension option is also offered based on service performance.



Figure 1. WA Kaolin has signed a transport contract with ACFS Port Logistics Pty Ltd for services between the Wickepin Kaolin Project and ACFS's Fremantle Port facility in Western Australia.

Corporate

In accordance with Listing Rule 5.3.5, \$242,878 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$51,810
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of an executive director (per contract of employment as the Company's Territory Sales Executive): \$19,020
- 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): \$18,745
- Royalties paid to an entity associated with an executive director (per Royalty Agreement): \$7,808
- Fees paid to the executive director in lieu of salary: \$70,000 (per executed consultancy deed)
- Fees paid to two family members of the executive director relating to the construction of the Company's Wickepin Project, through an entity associated with the executive director (at arm's length, 10% mark-up applied): \$95,783

In accordance with Listing Rule 5.3.3, the Company advises that it held the following tenements at the end of the quarter:

Tenement	Prospect	Ownership (%)	Change
M70/1143	South West Kaolin	100%	Nil
R70/40	Balgulpinn	100%	Nil
R70/42	Levi	100%	Nil
R70/43	Walters Hill	100%	Nil
R70/44	Doraking	100%	Nil
L70/156	Wickepin	100%	Nil
G70/251	Wickepin	100%	Nil

M – Mining Lease (granted)

R – Retention Licence (granted)

L – Miscellaneous Licence (granted)

G – General Purpose Lease (granted)

In accordance with Listing Rule 5.3.4, a comparison of the Company's actual expenditure to 30 September 2022, against planned expenditure disclosed in the use of funds statement contained in the Company's prospectus dated 11 October 2020, is shown in the below table:

	Prospectus (\$000's)	Actual (\$000's)	Variance (\$000's)
Existing cash reserves	2,950	2,950	-
Funds raised from public offer	22,000	22,000	-
Total Sources	24,950	24,950	-
Capex Wickepin – Stage 1 ¹	16,000	16,003	(3)
Capex Wickepin – Stage 2 ¹	-	3,660	(3,660)
IPO Cost (including convertible note interest)	1,660	1,785	(125)
Owner's Loans	700	810	(110)
Debt Reduction	1,800	1,800	-
Creditors	200	200	-
Working Capital ¹	1,640	4,172	(2,532)
Total Uses	22,000	28,430	(6,430)

The above table shows the intended use of funds in a two-year period following the Company's successful admission to the ASX on 24 November 2020, compared to actual expenditure from admission up to 30 September 2022.

¹ The total expected Wickepin Stage 1 Capex of c.\$18m applied \$16m from the IPO and \$2m from pre-IPO funds. The Company also spent various funds in advance on selected Stage 2 capital expenditure costs during the Stage 1 construction, to realise overall cost-efficiencies. A subsequent capital raising was undertaken in February/March 2022 that raised \$9m in new equity and secured a \$5m loan.

As at 30 September 2022 the Company had \$2.9m in cash on hand.

Appointment of Mr Patrick Walta

The Company appointed non-executive director Mr. Patrick Walta, effective 1 October 2022. Patrick is a qualified metallurgist, mineral economist and board executive and his appointment significantly strengthens WAK's mining operations experience.

Patrick was previously Managing Director of New Century Resources Limited (ASX: NCZ), which he founded in 2017 following the successful negotiation and acquisition of the Century Zinc Mine in Queensland. Under Patrick's leadership, the Century Zinc Mine was successfully restarted, commissioned, and ramped up to be the 13th largest zinc producer worldwide.

Patrick has had an impressive career within the resources industry including previous experience at Rio Tinto, Citic Pacific Mining, Cradle Resources, Carbine Resources, Primary Gold and Clean TeQ. Throughout his career Patrick has received many industry accolades including the MNN Emerging Leader of the Year Award in 2018 and the Young Achiever of the Year award in 2015 at the Australian Mining Prospect Awards.

Patrick holds degrees in Chemical Engineering and Science, from Melbourne University and has completed postgraduate studies including an MBA, Master of Science (Mineral Economics) and a Diploma of Project Management and is a graduate of the AICD's Company Directors Course.

Resignation of Non-Executive Directors

During the quarter, non-executive directors Mr. Linton Putland and Mr. Rod Baxter resigned effective 20 September 2022. The Company is extremely grateful to both gentlemen for their contributions to the Company.

Notice of Annual General Meeting

The Company announced that its Annual General Meeting (AGM) will be held on Friday 18 November 2022. An item of business at the AGM will be the re-election of directors.

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

For further information, please contact:

Andrew Sorensen
CEO
asorensen@wakaolin.com.au

Victoria Humphries
Investor Relations
+61 (0) 431 151 676
victoria@nwrcommunications.com.au

Project Background

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, which has a 644.5 million tonnes Mineral Resource, including 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.

The Company anticipates reaching its first full production rate in the second quarter of FY23, at which time production is targeted to commence at 25 tonnes per hour nameplate capacity and steadily increase to ~200,000 tonnes per annum rate by the end of CY22. WA Kaolin has a two-stage ramp up strategy. Stage 1 will see the production rate optimised up to 200,000tpa with a second stage to expand production to 400,000 tpa.

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 (%) (<45 µm in size)	In situ Kaolin (Mt)
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

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 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")

30 Sep 2022

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	434	434
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(297)	(297)
(d) staff costs	(633)	(633)
(e) administration and corporate costs	(1,286)	(1,286)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(100)	(100)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	5	5
1.9 Net cash from / (used in) operating activities	(1,870)	(1,870)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,541)	(1,541)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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
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	(1,541)	(1,541)

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	(40)	(40)
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	(40)	(40)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,374	6,374
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,870)	(1,870)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,541)	(1,541)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(40)	(40)

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	2,923	2,923

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	2,923	6,374
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)	2,923	6,374

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	79
6.2	Aggregate amount of payments to related parties and their associates included in item 2	164

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	6,500	5,850
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,500	5,850
7.5 Unused financing facilities available at quarter end		650
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 – 6 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)	(1,870)
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)	(1,870)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,923
8.5 Unused finance facilities available at quarter end (item 7.5)	650
8.6 Total available funding (item 8.4 + item 8.5)	3,573
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.91
<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?	
<p>Answer: The Company has commissioned its Wickepin processing facility and will start generating revenue from it in the current quarter (Q2 FY23). Although the Company won't immediately generate positive operating cashflow, it does expect to generate positive operating cashflow by the end of the Q3 FY23.</p>	
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?	
<p>Answer: The Company is reviewing its current forecast to determine whether further cash needs to be raised.</p>	

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: The Company is heading into full production at its newly constructed Wickepin processing facility during the current quarter (Q2 FY23) and therefore expects to significantly increase its revenue and will subsequently start generating positive operating cash flow.

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 October 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.