

March 2023 Quarterly Activities Report

Highlights

- **Wickepin Kaolin Operation is focussed on ramp up towards Stage 1 nameplate capacity of 200,000tpa**
- **Ramp up across a range of kaolin grades produced at Wickepin continues:**
 - **K99S and K99C on track to produce sustainably at nameplate capacity by end of CY2023**
 - **Consistent production of premium grade K99F (fiberglass grade) now underway at Wickepin**
 - **Expansion of operation to two shifts is on track for deployment in May**
- **Asian and European customer site visit undertaken at Wickepin operation during the quarter**
- **Visit to China undertaken during the quarter**
- **WA Kaolin is developing plans for the potential sale of underused property assets to strengthen its cash position**
- **WA Kaolin held cash position of \$2.7m at 31 March 2023**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to advise an update on its activities for the March 2023 quarter. Following progress during the current quarter, WA Kaolin is tracking towards achieving Stage 1 nameplate capacity of ~200,000 tonnes per annum.

The Company holds the Wickepin Kaolin Project, 200km 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. 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 expansion strategy.

First production from Wickepin Stage 1 commenced in October 2022, with production increasing towards the target of 200,000 tonnes per annum rate in the months since. The processing plant at the Wickepin Kaolin operation was completed in October on budget.

CEO Andrew Sorensen said, *“We have continued to make steady progress during the quarter at the Wickepin Kaolin operation as we ramp up production towards Stage 1 nameplate capacity. The team remains dedicated to ensuring the health and safety of all personnel as we increase our production. Whilst our ramp-up has been slower than expected, we have overcome the challenges to meet the ongoing customer orders and we are now onboarding a second shift to increase production.*

With ongoing geo-political concerns, we have seen an increased level of customer interest in our kaolin products as European customers look to broaden their supply chain. During the quarter, we received the biggest order in WA Kaolin’s history and we thank the ongoing support from our loyal clientele and look forward to progressing new opportunities.

It was exciting to have a site visit with international delegates on site at the Wickepin Kaolin operation and for our own management to travel to China to strengthen our relationships with clients in the kaolin market.

In addition to providing our clients with high-grade kaolin, we are putting resources into our research and development programs to enhance the penetration of our product across key end markets and the international jurisdictions we currently or can potentially supply our product to.”

Production and Deliveries

WA Kaolin is emerging as a globally significant kaolin producer experiencing unprecedented demand for kaolin products. Deliveries to customers from the Wickepin operation commenced in late 2022 and the average FOB price continues to exceed company estimates.

In the first half of FY2023, production of the K99S and K99C grades was ramping up with operations on track to perform sustainably at nameplate capacity by the end of CY2023. In the third quarter of FY2023 operations at Wickepin focused on consistently producing K99F, a finer particle size grade. Work is continuing to increase throughput of this product through incremental plant tuning and equipment upgrades. Production of our premium grade K999P, the finest grade produced at Wickepin, commenced during the quarter, with the company successfully producing samples of this grade for distribution to customers.

PRODUCTION	Q1 FY2023	Q2 FY2023	Q3 FY2023	YTD FY2023
Kaolin Produced and Bagged	0	1,057.1	1,253.7	2,310.7

Table 1. Wickepin Kaolin Plant Production

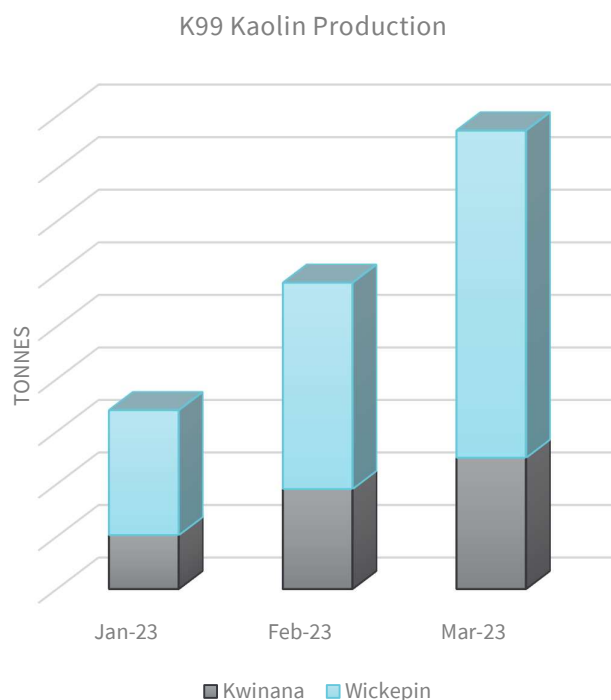


Figure 1. Kaolin production FYQ3

The Company is beginning the next phase of expansion with onboarding a second shift per day which is due to commence May 2023. In addition, we will commence using the 20kg Haver & Boecker kaolin bagging solution in early FY2024 which will deliver access to premium pricing with higher margins and a larger segment of the kaolin market locally and internationally.



Figure 2. Haver & Boecker New HAVER M-Series 4W + B-APP 4 for Kaolin Clay

Kaolin Market Update

WA Kaolin is seeking further penetration into the ceramics market in Asia as the high purity and brightness of the company's kaolin product is sought after in this jurisdiction. To achieve this target, WA Kaolin is adding technical sales specialist resources in this area to accelerate growth into this market.

The Company also intends to target expansion into the paper market, which is the largest sector for the kaolin industry. Over the next 2 quarters, the technical team will undertake trials to produce a premium paper-grade kaolin product suitable for the paper market. If successful, this new product would grow the suite of products produced at Wickepin and provide an opening to the significant paper marketplace.

Site Visits and New Opportunities

During the quarter, WA Kaolin hosted a site visit at the Wickepin Kaolin operation comprising a delegation of Asian and European customers, which provided positive feedback regarding opportunities for business development. With travel restriction in China easing, WA Kaolin also completed a successful visit to meet with current and prospective customers in the Asian nation.

WA Kaolin has LOIs and offtake agreements for 90% of Stage 1. We continue to receive significant inbound enquiries for additional supply from existing customers as well as new clients that we are processing and converting to sales contracts. During the quarter, the Company received the largest order in our history from our number one offtaker and substantial shareholder, Stanco.

Investor Presentation

During the quarter, CEO Andrew Sorensen hosted an investor webinar following the Wickepin Kaolin operation updates (ASX announcement, 16 March 2023). Click here to view a replay of the webinar: https://lnkd.in/d_Ygkhnz

Potential Sale of Property Assets

During the quarter, the company has undertaken a strategic review of its property portfolio and has recognised an opportunity to strengthen its cash position through the sale of underutilised assets now that production at the Wickepin operation is ramping up. The company is presently developing plans to maximise returns for shareholders and will keep investors up to date as the strategy is executed.

Corporate

WA Kaolin held a cash position of \$2.7m at 31 March 2023.

In accordance with Listing Rule 5.3.5, \$177,108 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$43,479
- Salary, superannuation, vehicle allowance and expenses reimbursements to the daughter of 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 operation to an entity associated with an executive director (at arm's length, no mark-up applied): \$6,920
- Fees paid to the executive director in lieu of salary: \$35,000 (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): \$59,702

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)

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

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Project Background

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, a Mineral Resource (JORC 2012) of 644.5 million tonnes^{1,2}, 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.

WA Kaolin has a two-stage ramp up strategy. Stage 1 will see the production rate optimised up to 200,000tpa followed by the second stage which will 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.

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 (%) ($<45 \mu\text{m}$ 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

¹ The Mineral Resource estimate is inclusive of Ore Reserves ² CSA Global Mineral Resource Estimate R280.2017

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.

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 Mar 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	224	1,120
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(235)	(1,522)
	(d) staff costs	(904)	(2,469)
	(e) administration and corporate costs	(1,123)	(2,935)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	7
1.5	Interest and other costs of finance paid	(221)	(666)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	9	19
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(2,250)	(6,446)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(285)	(3,234)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(285)	(3,234)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,790
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	(36)	(201)
3.5	Proceeds from borrowings	-	1,000
3.6	Repayment of borrowings	(296)	(597)
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	(332)	5,992

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,543	6,364
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,250)	(6,446)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(285)	(3,234)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(332)	5,992

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,676	2,676

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	2,676	5,543
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)	2,676	5,543

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	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	102

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)	(2,250)
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)	(2,250)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,676
8.5 Unused finance facilities available at quarter end (item 7.5)	650
8.6 Total available funding (item 8.4 + item 8.5)	3,326
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.48
<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: Operating cashflow will improve as production at the Company's Wickepin plant ramps up.	
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 Board is considering the sale of some of its underutilised assets to improve its cash position whilst production ramps up at its Wickepin plant.	

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, on the basis that the Company is heading toward positive operating cashflow and is considering the sale of some of its underutilised assets.

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: 23 April 2023

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.