

June 2023 Quarterly Activities Report

Highlights

- **Sale of Kwinana property for \$7 million to strengthen balance sheet**
- **Wickepin Kaolin Operation focussed on ramp up towards Stage 1 nameplate capacity of 200,000tpa**
- **Commissioning of 20kg packaging plant underway**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to provide an update on its activities for the June 2023 quarter.

WA Kaolin 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.

CEO Andrew Sorensen said, “WA Kaolin has made significant progress during the June quarter as we progress towards our Stage 1 nameplate capacity of 200,000 tonnes per annum. The sale of the Kwinana property at above our book value, obtaining favourable lease back terms and implementing a new debt facility provides the momentum to develop our Wickepin Project into a multi-generational industrial minerals business.

We continue to receive strong interest in our high-quality kaolin products from new and existing international customers. The 20kg packaging bags will soon be fully integrated and deliver an increase in prices received, which have remained very strong and above our forecasts.”

Sale of Kwinana Property

During the quarter, WA Kaolin signed a offer and acceptance for the sale of its Kwinana property, excluding the plant and equipment on site, which remains the property of WA Kaolin. The \$7 million sale of the Kwinana property to Coogee Chemicals Pty Ltd, settled after 30 June 2023, has significantly strengthened the Company’s cash position and balance sheet and reduces the Company’s overall debt position to \$23.4 million. (\$20.4m of which is to the company founders)

As part of the sale, WA Kaolin secured excellent lease back terms with the Purchaser, which facilitates the use of the Kwinana property for the next three years, providing stability and continuity for its ongoing operations at the site. This enables the Company to continue to focus on research and development into new product offerings and value-added products in the kaolin market. Significantly, the lease agreement provides for a “peppercorn” (\$1 per annum) rent over the term, in exchange for providing the Purchaser with access to park vehicles, tanks and equipment on a section of the property.

The existing \$5 million debt facility provided by Boneyard Investments Pty Ltd, which was secured against the Kwinana property, was repaid after 30 June 2023, contemporaneous with the settlement of the sale of the property.

Additionally, the Company has also established a new \$3 million debt facility with Boneyard Investments Pty Ltd under the following terms and conditions:

- Term of 3 years, then repaid in full.
- Can be repaid in part during the Term – minimum of \$300,000 per each repayment.
- Interest rate is 8% per annum compounded quarterly.
- Interest to accrue for the first 18 months, the amount accrued, added to the principal loan and then, going forward the interest due is to be paid quarterly.
- If the principal and accrued interest are not repaid by the end of the Term, the Purchaser has the option to convert the balance into shares in WAK at 20% below VWAP market share price, being the average WAK trading price for the period 60 days prior to end of term. WAK is required to advise the Purchaser 60 days prior to end of term if it would like the Purchaser to consider the option to convert and not repay the loan. The conversion to Company shares will be subject to shareholder approval.
- If the Purchaser does not plan to exercise the share option, it is required to advise WAK 30 days prior to the end of the term.

The sum total of the sale of the Kwinana property and new debt arrangement yields a net improvement in the Company's cash position of \$5m which will provide the working capital for the ramp up of operations to full production.

The total company debt including the existing company debt to the founders will reduce from \$25.4m to \$23.4m and has a weighted average interest rate of 3.2%. The existing debt to the founders of \$20.4m, who jointly own circa 28% of WAK's shares, is unsecured and will only be repaid from free cash flow.

Wickepin Plant Operations

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

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 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.

During May, the Wickepin plant was successfully transitioned to a 24-hour operation, as production ramps up to meet demand. To support the requirements of the upgraded roster, new staff were recruited from local Western Australian towns which enhances the capabilities of the operational team and strengthens our local community bonds as a major employer in the region.

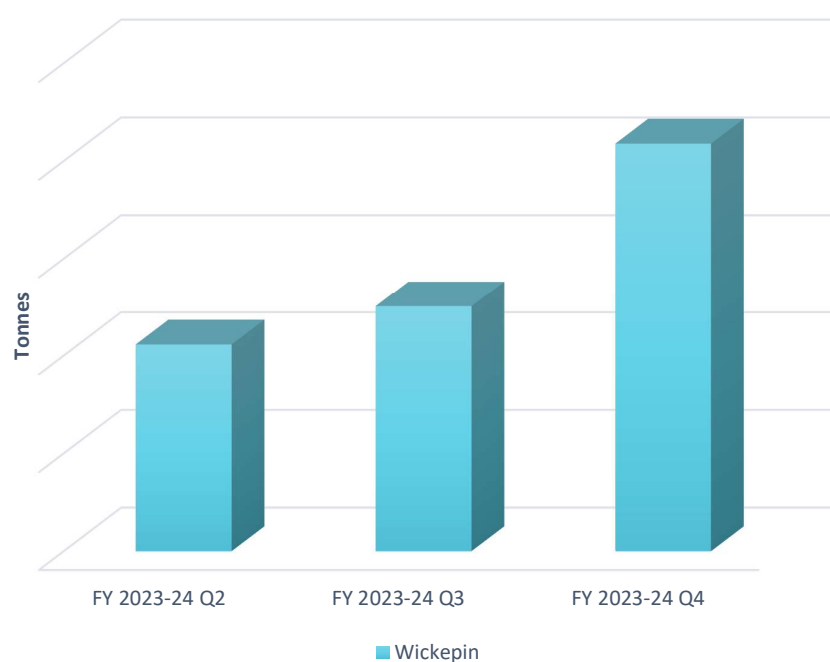
During the quarter, a new undercover ore store was completed. This ore store has been designed to reduce drying costs, improve operational efficiency and store a 2–3-week supply of dry ore during the wet season. The ore store was completed within its \$1 million budget.

The 20kg Haver & Boecker kaolin bagging solution was commissioned late in FY2023. It will deliver access to premium pricing with higher margins and a larger segment of the kaolin market locally and internationally.

The successful transition to 24-hour operations, recruitment and training of new staff, completion of the new undercover ore store and commissioning of the 20kg bagging system demonstrate the company's commitment to meeting market demands while prioritising operational efficiency and cost-effectiveness.

Table 1. Wickepin Kaolin Project Production

PRODUCTION	Q1 FY2023	Q2 FY2023	Q3 FY2023	Q4 FY 2023	YTD FY2023
Kaolin Produced and Bagged	0	1,057.1	1,253.7	2088.8	4399.6

K99 Kaolin Production

Supporting Customers

As we continue to seek further opportunities into the ceramics market in Asia, we commenced a process to establish a new office in Malaysia. This office will support customers in the Asian regions, where the Company's kaolin characteristics of high purity and brightness are sought after.

Petty Loo, a highly experienced kaolin marketing expert has been appointed to lead the new branch. The regional office is expected to commence operation by end of CY2023.

WA Kaolin continues to receive significant in-bound sales enquiries from new and existing customers.

The prices of export container shipping from Fremantle Port continue to ease, enabling WA Kaolin to offer products at lower Free Into Store (FIS) prices in Asia. This reduction in the delivered price of its kaolin products will enable the company to penetrate further into the Asian kaolin market and boost the rapid growth of sales in the region.

Investment Conferences

During the quarter, WA Kaolin attended the Mines and Money, Melbourne held in June as part of an east coast roadshow.

Corporate

WA Kaolin held a cash position of \$3.1m at 30 June 2023.

In accordance with Listing Rule 5.3.5, \$203,106 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Non-executive 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 Project to an entity associated with an executive director (at arm's length, no mark-up applied): \$16,381
- Fees paid to the executive director in lieu of salary: \$46,667 (per executed consultancy deed)
- Fees paid to two family members of the executive director relating to the construction of the Company's Wickepin plant, through an entity associated with the executive director (at arm's length, 10% mark-up applied): \$72,206
- Royalties paid to an entity associated with the executive director: \$5,354

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 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

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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	386	1,506
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(243)	(1,765)
(d) staff costs	(974)	(3,442)
(e) administration and corporate costs	(1,250)	(4,185)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(218)	(885)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	404	422
1.8 Other (provide details if material)	0	0
1.9 Net cash from / (used in) operating activities	(1,895)	(8,342)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(504)	(3,738)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(504)	(3,738)

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	-	(201)
3.5 Proceeds from borrowings	3,000	4,000
3.6 Repayment of borrowings	(183)	(780)
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	2,816	8,809

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,676	6,364
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,895)	(8,342)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(504)	(3,738)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,816	8,809

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,093	3,093

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	3,093	2,676
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)	3,093	2,676

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	68
6.2	Aggregate amount of payments to related parties and their associates included in item 2	135

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	9,500	8,850
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	9,500	8,850
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.		
<ol style="list-style-type: none"> 1) <i>Toyota Fleet Management – 6 x Hire Purchase agreements at varying interest rates for mobile equipment and motor vehicle (secured)</i> 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). (Note: this facility has since been repaid on 21 July 2023 from the proceeds of sale from the Company's property).</i> 3) <i>\$3m Convertible Loan Agreement with Boneyard Investments Pty Ltd (3-year term from June 2023, 8% interest rate however interest accrued (not paid) until 31 December 2024.</i> 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,895)
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)	(1,895)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,093
8.5 Unused finance facilities available at quarter end (item 7.5)	650
8.6 Total available funding (item 8.4 + item 8.5)	3,743
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.98
<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 continues to improve as production at the Company's Wickepin plant ramps up.	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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: Yes, the Company has sold its Kwinana property (settled on 21 July 2023), which has yielded a further \$2m (net), thus improving its cash position, whilst production ramps up at its Wickepin plant and operating cashflow is expected to improve.

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 has undertaken the sale of its Kwinana property which settled on 21 July 2023.

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 July 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.