

December 2022 Quarterly Activities Report

Highlights

- **First production from Wickepin Stage 1 achieved in October 2022**
- **Wickepin Kaolin Project processing plant was completed in October on budget**
- **Drill rig successfully commissioned and now operating at Wickepin following mining volume escalation – rig to assist mine planning and future additional resource measurement**
- **WA Kaolin completed a \$6.8 million capital raising comprising:**
 - **\$5.0m Placement of New Shares**
 - **\$1m Converting Loan**
 - **\$0.79m raised from Share Purchase Plan to eligible shareholders**
- **Mr Patrick Walta appointed as Non-Executive Director on 1 October 2022**

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

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.

CEO Andrew Sorensen said, *“Since we delivered first production at the Wickepin Kaolin Project in October, the WA Kaolin team has been focused on the ramp-up of operations towards nameplate capacity for Stage 1. We are on track to reach this target by the end of FY2023 which is a credit to the hard work of our operations team. We are delighted to now be a supplier of high-quality kaolin to the international marketplace and to be attracting a price premium above our expectations.*

WA Kaolin is also now focused on the Wickepin Stage 2 project and thanks all shareholders who have been involved in the \$6.8 million capital raising, which we announced in November. The capital raising will provide critical funding for the production ramp up and for further modular increases to the capacity of the operation in Stage 2. CY2023 is shaping up as another exciting year for WA Kaolin and we look forward to updating all shareholders on our progress.”

First Production and Deliveries

First production from Wickepin Stage 1 commenced in October 2022, with production to steadily increase to ~200,000 tonnes per annum rate by the end of FY2023. The processing plant at Wickepin Kaolin Project was completed in October on budget.

WAK is now an emerging globally significant kaolin producer experiencing unprecedented demand for kaolin products. Deliveries to customers from the Wickepin plant have commenced and the average FOB price continues to exceed our estimates.

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).



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

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 has paved 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.

The results for the production and sales are presented in tables 1 and 2. WA Kaolin achieved an average FOB price for the December quarter well above the 2020 Prospectus estimate of \$240/t.

Table 1. Wickepin Kaolin Project Production

PRODUCTION	Q1 FY2023	Q2 FY2023	YTD FY2023
Total BCM Mined	8,435	12,826	21,261
Kaolin Produced and Bagged	0	1,057.1	1,057.1

Table 2. Kaolin Shipping & Sales

PRODUCTION	Q1 FY2023	Q2 FY2023	YTD FY2023
Kaolin sales (dmt)	1,352	1,308	2,660
Revenue from sales (\$)	\$437,272	\$434,871	\$872,143

The ramp up of production in December quarter was slower than initially anticipated owing to issues experienced with the power quality and the genset package, as well as the continuation of plant tuning to achieve product specifications.

The Company has to date made two grades of its product successfully at Wickepin and has the capacity and stock of these on hand whilst it continues to tune the plant to achieve specifications for two further grades. WA Kaolin anticipates this process will be completed in the March quarter.

Drill Rig Commissioned

Mining volumes have escalated at the Wickepin site to provide sufficient ore to the Kaolin Plant. In support of this increase, WAK commissioned its own drill rig to assist mine planning and future additional resource measurement.

**Figure 2.** New drill rig in operation at Wickepin mine

The mobile Air Core Drill Rig costing c. \$325k, was manufactured in Perth by Redcliffe company, AUSTEX (Australian Exploration Engineering) and delivered to WAK's Wickepin mine site late November. The unit is mounted on a purpose-modified trailer and towed by a WAK vehicle to any of WAK's vast resource locations to assist in mine planning and additional resource measurement.

Funding Secured

WA Kaolin completed a capital raising comprising a \$5.0m placement of new shares, a \$1.0m converting loan and a \$0.79 Share Purchase Plan (**SPP**) to eligible shareholders.

Proceeds of the capital raising will be used for production ramp up, working capital and further modular increases to capacity to develop Stage 2 including 20kg bagging line.

Equity Raising

The placement comprised a single tranche share placement of 33,333,333 fully paid ordinary shares ("**New Shares**") at an issue price of A\$0.15 per New Share to sophisticated, professional and other institutional investors in Australia to raise A\$5.0 million (before costs). The issue price represented a 11.8% discount to last closing price of \$0.17 as at 24th November 2022 and a 10.7% discount to the 5-day trading Volume Weighted Average price of A\$0.168.

The New Shares were issued through the Company's available placement capacity pursuant to ASX Listing Rule 7.1.

A subsidiary of Stanco International, WA Kaolin's offtake partner and existing shareholder, committed to \$A1.3 million in the Placement.

Converting Loan

The Company's executive director, Alf Baker, and CEO Andrew Sorensen also committed to subscribe to \$1.0 million by way of a Converting Loan, which will automatically convert to ordinary shares at the same issue price upon obtaining approval from the Company's shareholders, at a general meeting to be held in early CY23. If shareholder approval is not obtained, the Converting Loan will be unsecured, repayable on 1 June 2024, accrue interest at 8% per annum until paid and otherwise be on standard terms for an agreement of this nature.

Share Purchase Plan

Eligible shareholders with a registered address in Australia or New Zealand at 4.00pm (WST) on 28 November 2022 were also invited to participate in the SPP at the same issue price as the Placement (A\$0.15 per New Share).

Key terms of the SPP included:

- Up to \$30,000 per eligible shareholder, across all of their holdings
- WA Kaolin intended to raise up \$1.5 million (the Board having the right to reject or scale back applications at its absolute discretion or to increase the amount raised)
- The SPP was not underwritten.

The SPP closed with applications received for 5,266,700 shares, raising \$790,000.

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.

Corporate

In accordance with Listing Rule 5.3.5, \$185,731 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): \$20,331
- 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): \$19,214
- Fees paid to the executive director in lieu of salary: \$46,666 (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): \$56,041

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)

Top 20 Shareholders

The Company's Top 20 shareholders as at 30 January 2023 were as follows:

Position	Holder Name	Holding	% IC
1	SILVER TROPIC PTY LTD <WAMCO INDUSTRIES UNIT A/C>	49,883,574	13.42%
2	SCIENTIFIC MANAGEMENT ASSOCIATES (VICTORIA) PTY LTD <WAMCO INDUSTRIES UNIT A/C>	48,844,333	13.14%
3	MR KENNETH JOSEPH HALL <HALL PARK A/C>	38,656,667	10.40%
4	CENTURY HORSE LIMITED	18,041,667	4.86%
5	MR KENNETH JOSEPH HALL <HALL PARK A/C>	11,311,112	3.04%
6	BONEYARD INVESTMENTS PTY LTD	10,333,333	2.78%
7	MR HAN SWEE TAN	9,028,378	2.43%
8	CAJWM PTY LTD <CAJWM RETIREMENT FUND A/C>	7,000,000	1.88%
9	TRADEFOG GLOBAL CO LIMITED	6,660,667	1.79%
10	KAOLIN CT PTY LTD <KAOLIN A/C>	6,000,000	1.61%
11	PAUL LOWRY & KIM WATSON <THE PAUL LOWRY FAMILY A/C>	5,366,452	1.44%
11	STEPHEN RICE <A/C THE RICE FAMILY TRUST>	5,366,452	1.44%
11	MR JAMES WOULFE & MRS CATHERINE MARIA WOULFE <DEBHULBH FAMILY A/C>	5,366,452	1.44%
12	CITICORP NOMINEES PTY LIMITED	4,578,845	1.23%
13	MR ANDREW BRIAN SORENSEN <WAMCO INDUSTRIES UNIT A/C>	4,156,964	1.12%
14	MS LAY HOON LEE	3,911,265	1.05%
15	MR BENG GIM TAN	3,500,000	0.94%
16	MR MENG LUO & MRS LAN LIU <LUO & LIU FAMILY A/C>	3,317,500	0.89%
17	BELGRAVIA STRATEGIC EQUITIES PTY LTD	2,500,000	0.67%
18	ANDREW SORENSEN HOLDINGS PTY LTD <SORENSEN FAMILY S/F A/C>	2,358,371	0.63%
19	MR MENG LUO & MRS LAN LIU <LUO & LIU SUPER FUND A/C>	2,350,000	0.63%
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,315,276	0.62%
	Total	250,847,308	67.51%
	Total issued capital - selected security class(es)	371,591,503	100.00%

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, 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.

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

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 Dec 2022

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	541	895
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(622)	(1,287)
	(d) staff costs	(739)	(1,536)
	(e) administration and corporate costs	(1,190)	(1,889)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	7
1.5	Interest and other costs of finance paid	(345)	(446)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	9	9
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(2,346)	(4,247)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1,369)	(2,898)
	(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	(1,369)	(2,898)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,790	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	(165)	(165)
3.5	Proceeds from borrowings	1,000	1,000
3.6	Repayment of borrowings	(264)	(301)
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	6,361	6,324

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,897	6,364
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,346)	(4,247)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,369)	(2,898)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,361	6,324

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	5,543	5,543

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	5,543	2,897
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)	5,543	2,897

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	63
6.2	Aggregate amount of payments to related parties and their associates included in item 2	122

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.

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	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.		
<div>1) <i>Toyota Fleet Management – 6 x Hire Purchase agreements at varying interest rates for mobile equipment and motor vehicle (secured)</i></div> <div>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></div>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,346)
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)	(2,346)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,543
8.5 Unused finance facilities available at quarter end (item 7.5)	650
8.6 Total available funding (item 8.4 + item 8.5)	6,193
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.64
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

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 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.