

13 June 2023

Sale of Kwinana Property Significantly Strengthens Balance Sheet

Highlights

- **WA Kaolin improves its cash position by \$5m after signing a Term Sheet for sale of its Kwinana property for \$7m, excluding plant and equipment**
- **WA Kaolin has negotiated very favourable lease back terms for the next three years**
- **\$5 million secured loan repaid out of sale of Kwinana property**
- **New \$3 million debt facility established**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to advise that it has signed a Term Sheet for the sale of its Kwinana property, excluding the plant and equipment on site which remain the property of WA Kaolin, significantly strengthening the Company’s cash position and balance sheet. The sale of the Kwinana property to Coogee Chemicals Pty Ltd (Purchaser) for \$7m places WA Kaolin in an excellent financial position to support its working capital needs as it transitions into full production at 200ktpa across FY24. WA Kaolin’s overall debt position reduces to A\$23.4m on attractive terms.

As part of the sale, WA Kaolin has 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 which will 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. Further terms of the lease are still to be negotiated, however are expected to be similar to those found in any standard commercial lease agreement.

Simultaneously, the Company advises that the existing \$5 million debt facility provided by Boneyard Investments Pty Ltd, which was secured against the Kwinana property, will be repaid from the proceeds of sale of the property.

Additionally, the Company will now establish a new \$3 million debt facility with Boneyard Investments Pty Ltd under the following terms and conditions:

- Term is 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 WA Kaolin's financial position of \$5m and will provide the working capital for the ramp up of operations to full production. Settlement is likely to occur on or before 30 June 2023.

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.

These initiatives will contribute significantly to the long-term growth of WA Kaolin as it develops its Wickepin Project as a multi-generational industrial minerals business.

CEO Andrew Sorensen said, *"This is an excellent result for WA Kaolin. As we continue to ramp up our production volumes at Wickepin, to be able to successfully negotiate the sale of our now non-core assets at Kwinana at above our book value, whilst maintaining favourable lease back terms, focuses the Company's capital towards the generation of cash flow from the production ramp up."*

The sale of Kwinana puts the Company in a very strong position financially, having reduced our debt significantly and enhancing our working capital position, placing us in a strong position financially as we increase our ramp up to nameplate production from Wickepin. With the sale of the non-core assets and the continued increase in production volumes at Wickepin, it is a very exciting time for WA Kaolin, as the next 12 months will see the Company transition into a highly sought after kaolin production operation."

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.

¹ The Mineral Resource estimate is inclusive of Ore Reserves

² CSA Global Mineral Resource Estimate R280.2017

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