

June 2021 Quarterly Activities Report

Highlights

- **Construction at Wickepin Project – on schedule for completion of construction and installation by Q4 2021, but commissioning delays likely due to Covid-19 and its adverse effect on suppliers and attendance**
- **15-year LNG supply contract signed with Mid-West LNG Pty Ltd**
- **The sales and marketing team now lead by the recently appointed Sales and Marketing manager Justin Swan secures new customers including Australian brick company, Vietnamese ceramic company, Japanese fibreglass company and Chinese rubber company**
- **Mining campaign underway with high-grade material extracted from Pit 2**

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (ASX: WAK) is pleased to provide an update on its activities for the June 2021 quarter.

WA Kaolin 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. 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.

Stage 1 Work

Construction continued onsite at Wickepin, with 100% of the building structural steel and roofing completed to date. AUSPAN, one of Australia’s leading steel frame construction companies, who was contracted to carry out the design and construction, continues to deliver first quality work on target.

At the end of the quarter, the building works was approximately 92% complete with progress on the following aspects recorded at:

- Structure and roofing - 100% complete
- Civil and concrete floors - >95% complete
- Walls and doors – 85% complete.

Final inspections are expected to be complete by the end of July 2021.

The internal fit-out and cladding of the site laboratory and control room is expected to be completed early August 2021.

As detailed in Table 1 below showing the updated schedule, the Stage 1 Work Program will continue over the coming months, with construction and installation being completed by Q4 2021. The ongoing effect of Covid-19 on suppliers and attendance (e.g. delays in steel availability) indicates that commissioning will extend into Q1 2022.

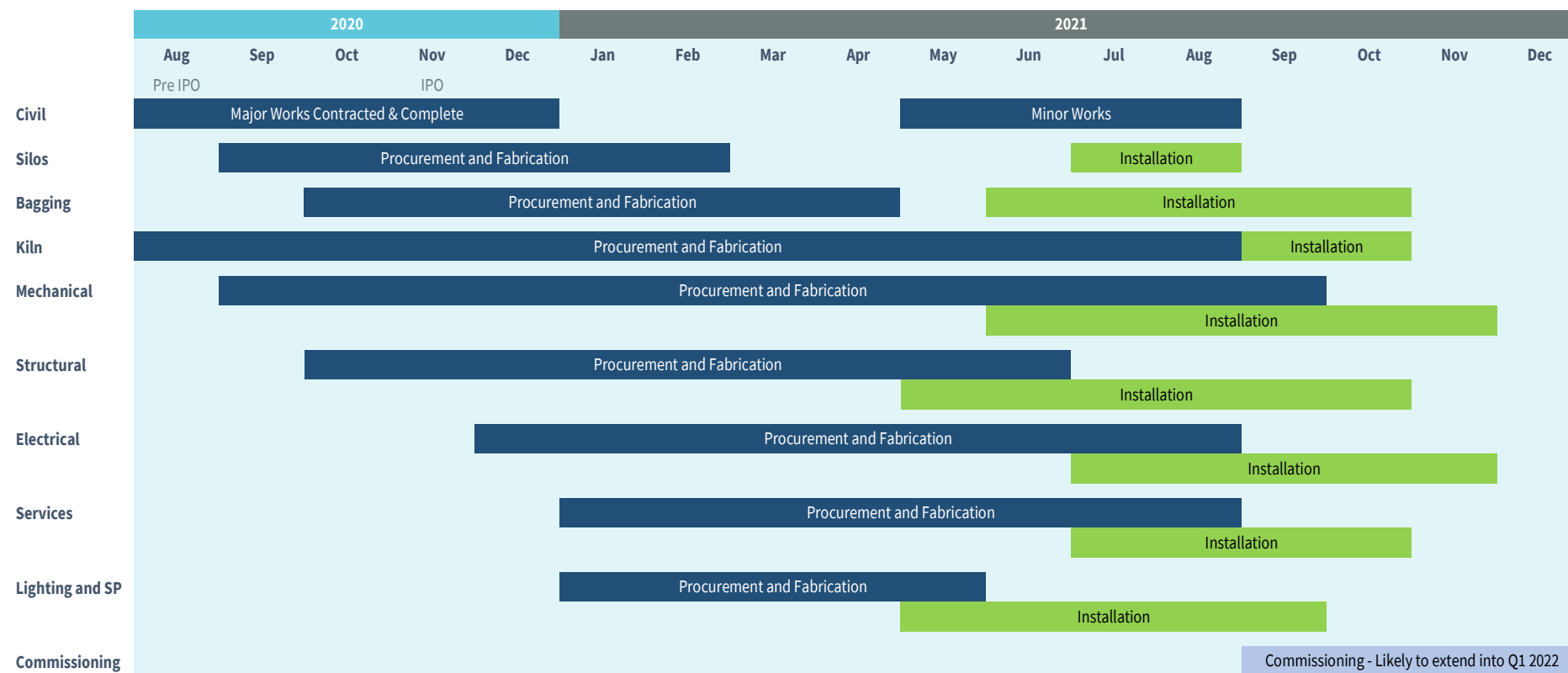


Table 1. Stage 1 Work Program



Figures 1 & 2. Stage 1 Building works continue at Wickepin with 92% of build complete.

Equipment

The Engineering Design works on the fixed plant at Wickepin are all completed and signed off – only minor items await construction drawings, whilst the main kiln is expected to be complete and be delivered by the end of August 2021.

A purchase order and contract are in place for the product collection, one of the largest equipment components of the plant, which is used to capture the kaolin during the separation process to be transferred for packaging. The Company estimates, whilst delivery will be progressive, with structures arriving first to allow wiring to be readied, all components will arrive at Wickepin by the end of September 2021.

Some structures are on site already and are being assembled. Fabrication for all other major structures continues, with a welder/boilermaker team from a local contracting company having already commenced work on site.

Other equipment being readied includes silos and bagging station, which have been purchased and/or fabricated in house and ready for installation, conveyors such as bucket elevators and other transfer equipment have been selected and purchased with some already being delivered on site. Fabrication of separators is 70% complete.

Utilities

Diesel fuelled electrical generators are undergoing testing with approval anticipated late July with delivery and installation expected during August, with the renewable energy package anticipated to be implemented around mid-2022. This decision allows for the operating data from the thermal plant to be used to help design the optimum solar and battery storage system to complete the hybrid energy generation package.

Process engineering is complete and the Company has selected and ordered the electrical motor control centre (MCC) and main switch board (MSB) which are expected to be delivered to site in August.

Small power installation is currently underway with an electrical team on site.

WA Kaolin signed a supply agreement with Mid-West LNG Pty Ltd for the supply of LNG, which is detailed further below.

15-Year LNG Supply Contract

In May, WA Kaolin announced the signing of a 15-year contract for the supply of Liquefied Natural Gas (LNG) for the Wickepin Kaolin Project, with Mid-West LNG Pty Ltd, a group company of Clean Energy Fuels Australia (CEFA).

CEFA is an established Perth-based company which provides, as part of its energy transition platform, integrated solutions developing small scale LNG infrastructure assets for remote mining operations and communities within Australia. CEFA, through Mid-West LNG Pty Ltd, is in the process of building a new LNG plant in Mount Magnet, located approximately 600km north of Wickepin. WAK will be the second customer supplied from this new facility. The Mount Magnet LNG Hub, once completed, will have the ability to supply in excess of 500 tonnes per day of LNG.

The supply of LNG to Wickepin will be used to fire the rotary kiln that dries the kaolin ore, which is the first step in the Company's proprietary K99 dry processing method.

The contract, which includes the supply of commissioning gas from the 1st September 2021 to the end of 2021, will commence on the 1st January 2022 and will run for 15 years with reviews at year 5 and year 10, and provides for two options to extend for a further five years respectively.

The contract is valued at circa \$22 million over the 15-year period. The contract provides for the storage and re-vaporisation infrastructure, including delivery of LNG by tanker trucks.

Site Management, Safety and Staff

Justin Swan was appointed as Sales and Marketing Manager and, utilising his extensive experience in Asia, has been successful in securing several new major customers (detailed further below).

WA Kaolin has continued to build its team on the ground with the employment of staff in ongoing roles of maintenance and operations. During the quarter, both the Site Construction Manager and the Wickepin Plant Office Administrator were engaged.

The Company hired two permanent staff in areas of office administration and maintenance/safety, who commenced their roles during the period. In addition, a new operator joined the Kwinana team during the quarter and a new plant supervisor will commence in July.

To date, the Wickepin Stage 1 Work Program has experienced an impeccable site management and safety record, with no incidents reported.

New customers

WA Kaolin is pleased to advise that throughout the quarter it has continued to progressively build its customer base. Under the guidance of the new sales and marketing manager Justin Swan, the sales and marketing team has delivered a significant increase in new customers. Justin, who has extensive experience in Asia, has helped in securing several major new customers including:

- Brick company in Australia
- Ceramic company in Vietnam
- Fibreglass company in Japan
- Rubber company in China

All new orders were contracted at prices higher than the Definitive Feasibility Study (DFS) value for each grade.

Mining Campaign

The Company has commenced another mining campaign at Wickepin targeting the extraction of high purity ore from one of the existing pits.

The Company is pleased to report that very high-grade materials have been extracted during the campaign from Pit 2, which is located approximately 1km from the Wickepin plant area. Run of Mine samples from the mining campaign have been screened at 45um and the -45um kaolin content has been analysed at WA Kaolin's Lab in Kwinana. Some results from this analysis are tabled below:

Sample ID	Brightness ISO ¹	Al ₂ O ₃ % ²	Fe ₂ O ₃ % ²	SiO ₂ % ²	TiO ₂ % ²
562423	88.5	39.12	0.089	46.68	0.138
440451	89.1	39.05	0.092	46.69	0.146

Note 1 – Tested at WAK's laboratory using Colour Touch PC

Note 2 – Tested WAK's laboratory using Epsilon 1 XRF

Next steps

As WA Kaolin continues on track to complete construction and installation by the end of 2021, the next steps the Company will be focused on are as follows:

- Equipment fabrication, installation and commissioning will continue
- Equip and start up Wickepin laboratory

Corporate

In accordance with Listing Rule 5.3.5, \$188,022 was paid to related parties or their associates during the quarter. The payments comprise the following:

- Director fees and superannuation: \$43,059
- Salary and superannuation to the daughter of executive director (per contract of employment): \$13,254
- Purchase of plumbing supplies from a business owned by the son of executive director (at arm's length): \$2,635
- Royalties paid to an entity associated with executive director (per Royalty Agreement): \$7,087
- Fees paid to executive director (per consulting contract): \$60,000 (note this is for 4 months)
- Ordinary business expense reimbursements to an entity associated with executive director: \$55,368
- Purchase of equipment from entity associated with executive director (at arm's length): \$6,619



Figure 3. High purity Kaolin at Wickepin

Project Background

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, WA Kaolin co-founders and owners have 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** and a Mineral Resource (reported in 2019) of 109.1 million tonnes in the mining lease which are part of and included in;
- An **Inferred Mineral Resource (reported in 2017) of 644.5 million tonnes** of high-grade premium kaolinised granite across all tenements.

WA Kaolin developed a dry processing method, the K99 Process, at its plant in Kwinana, which together with the high-grade Wickepin kaolin resource, 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.

*****ENDS*****

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

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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 to date, 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 by 2023 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 and the 2019 Mineral Resource estimate.

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 June 2021

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	525	1,115
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(269)	(1,467)
	(d) staff costs	(394)	(1,068)
	(e) administration and corporate costs	(622)	(1,557)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	27
1.5	Interest and other costs of finance paid	(148)	(723)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	6	62
1.8	Other (provide details if material)	(13)	(48)
1.9	Net cash from / (used in) operating activities	(907)	(3,659)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(3,884)	(7,467)
	(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	(3,884)	(7,467)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	22,000
3.2	Proceeds from issue of convertible debt securities	-	2,819
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,241)
3.5	Proceeds from borrowings	336	336
3.6	Repayment of borrowings	(74)	(2,892)
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	262	20,022

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,445	2,020
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(907)	(3,659)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,884)	(7,467)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	262	20,022

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 (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	10,916	10,916

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	10,916	10,916
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)	10,916	10,916

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	181
6.2	Aggregate amount of payments to related parties and their associates included in item 2	7
<i>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.</i>		

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	500	361
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	361
7.5 Unused financing facilities available at quarter end		139
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.		
Toyota Fleet Management – 2 x Hire Purchase agreements at varying interest rates for mobile equipment (secured)		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,659)
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)	(3,659)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,916
8.5 Unused finance facilities available at quarter end (item 7.5)	139
8.6 Total available funding (item 8.4 + item 8.5)	11,055
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.02
<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	
<i>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.</i>	

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: 27 July 2021

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.