

## March 2021 Quarterly Activities Report

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

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, which has a 644.5 million tonne Mineral Resource<sup>1</sup> including an Ore Reserve Estimate of 30.5 million tonnes of kaolinised granite<sup>2</sup>. 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

AUSPAN, one of Australia’s leading steel frame construction companies has been contracted to carry out the Stage 1 Building Structural Design and Construction. The concrete batching plant was delivered to site early in January and work commenced on the footings and part of the slab being laid ahead of the plant build.

In March, WAK released its updated Investor Presentation (ASX Announcement 26 March 2021) which details that the building works are well underway with all structural steel installed (see Figure 1.).



**Figure 1.** Building progress at Wickepin

The long lead time processing plant elements have been ordered and are on track to be delivered to East Wickepin on schedule. The Stage 1 construction program will continue until July, with commissioning of the plant scheduled for Q3 2021. WAK is proud to report that the project is tracking on budget with respect to timing and cost.

Included in the Investor Presentation was the updated Stage 1 Project Program (Figure 2.) which shows that the Company is on track to commence production by the end of 2021.

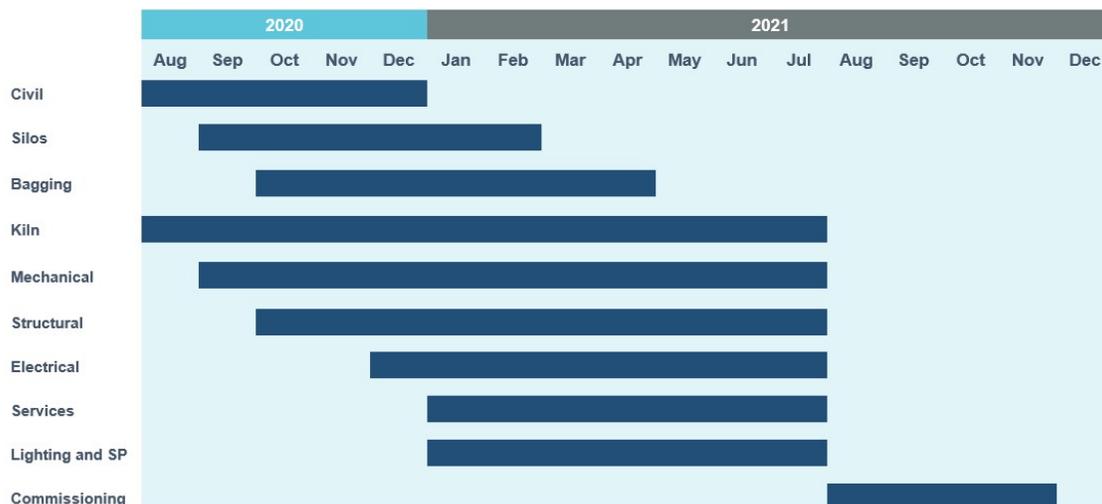


Figure 2. Stage 1 Project Program

WA Kaolin has purchased a Hyster reach stacker for export container handling operations at the Wickepin Project. The unit will initially be used at the Company’s operating Kwinana plant to manage the increasing container traffic, before being transferred to the Wickepin mine site when operations commence at the end of 2021.



Figure 3. Newly purchased Hyster reach stacker

## Staffing

During the reporting period WAK commenced the process of employing key personnel for the Wickepin Project. Post period the Company appointed the Wickepin plant office administrator who commenced employment on 12<sup>th</sup> April. Additionally, the Company has reached agreement with an experienced sales and marketing manager to join the team in May.

The Company has also engaged Matthew Baker on contract as Site Construction Manager (commenced 12<sup>th</sup> April), to assist the mine manager as the project activity on site increases. Matthew is the son of Executive Director, Alf Baker.

## Corporate

In accordance with Listing Rule 5.3.5, \$145,000 was paid to related parties or their associates during the quarter. The payments comprise the following:

Director fees and superannuation: \$41,729

Salary and superannuation to the daughter of executive director (per contract of employment): \$13,174

Purchase of plumbing supplies from a business owned by the son of executive director: \$13,880

Royalties paid to an entity associated with executive director (per Royalty Agreement): \$15,907

Fees paid to executive director (per consulting contract): \$30,000

Normal business expense reimbursements to an entity associated with executive director: \$18,227

Purchase of equipment from entity associated with executive director (at arm's length): \$12,000

## 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; and
- 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.

## Existing Mining and Operation

WAK's existing mining and Kwinana processing operations will continue during the Stage 1 construction and commissioning at East Wickepin to service the strong demand of WAK's growing list of customers.

The Kwinana operation is currently producing at a rate of up to 5 tonnes per hour and strong orders continue.

Late in 2020 WA Kaolin received its first commercial order for its new product **CG-15**, a granulated product provided for the ceramics industry, from Japan. The CG-15 order was shipped to Japan on 25<sup>th</sup> January. Subsequently, the Company has received an order from an Australian paper manufacturer for IPG2-75, a new granulated product for the paper market.

## Offtake Agreements

WA Kaolin is also continuing its marketing efforts to build on its list of existing customers in Australia, Japan, Vietnam and China who have signed contracts, LOIs and an offtake agreement.

In May 2020, the Company formalised an offtake agreement with one of its key customers for the supply of 338,000 tonnes of kaolin over six years. It also has in place letters of intent and ongoing contracts with other key distributors and customers, which further support the Company's targeted production of kaolin.

In years 1 to 3 of production at Wickepin, the sum of offtake agreements and non-binding letters of intent in place amounts to a total target offtake for the first three years of 551,000t, representing 83% of targeted production of 664kt for those years.

Further offtake negotiations are currently in progress with other customers.

\*\*\*ENDS\*\*\*

## 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.

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

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**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<sup>1,2</sup> 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.

<sup>1</sup> The Mineral Resource estimate is inclusive of Ore Reserves and the 2019 Mineral Resource estimate.

<sup>2</sup> 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

<b>WA KAOLIN LIMITED</b>
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ABN

56 083 187 017
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Quarter ended ("current quarter")

31 March 2021
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	241	590
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(151)	(1,198)
(d) staff costs	(231)	(674)
(e) administration and corporate costs	(268)	(935)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	19
1.5 Interest and other costs of finance paid	(189)	(575)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2	56
1.8 Other (provide details if material)	-	(35)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(585)</b>	<b>(2,752)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2,159)	(3,583)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,159)</b>	<b>(3,583)</b>

<b>3. Cash flows from financing activities</b>		
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	-	-
3.6 Repayment of borrowings	-	(2,818)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>19,760</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	18,189	2,020
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(585)	(2,752)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,159)	(3,583)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	19,760

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>15,445</b>	<b>15,445</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	15,445	18,189
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>15,445</b>	<b>18,189</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	133
6.2	Aggregate amount of payments to related parties and their associates included in item 2	12

*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. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,752)
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)	(2,752)
8.4 Cash and cash equivalents at quarter end (item 4.6)	15,445
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	15,445
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	5.6
<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: Yes; for the time being until the construction and commissioning of the Wickepin plant is completed at the end of calendar 2021.	
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 Company has sought to fund certain assets by way of hire purchase or chattel mortgage where appropriate however the Company has sufficient cash at bank to fund its operations and capital expenditure.	

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

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; the Company has sufficient cash to meet its business objectives which materially includes the construction of the plant at Wickepin, which will increase production output.

*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: 29 April 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.