

**Breakaway
Research**

July 2021

PRICE A\$0.20/share
PRICE TARGET A\$0.60/share

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www.breakawayresearch.com

Company Information

ASX Code	WAK
Share Price (29 June 2021)	A\$0.20
Ord Shares	282.8m
Market Cap	A\$56.6m
Options/Performance Rights	194.7m
Market Cap (fully diluted)	A\$95.5m
Cash (31 Mar 2021)	A\$15.4m
Total Book Debt (31 Dec 2020)	A\$19.2m
Enterprise Value	A\$99.2m

Directors and Senior Management

Non-Exec Chairman	John White
CEO	Andrew Sorensen
Director (Exec)	Alf Baker
Director (Non-Exec)	Cathy Moises
Director (Non-Exec)	Linton Putland
CFO, Co. Secretary	Michael Kenyon

Company Details

Address	Lot 3 Ward Road East Rockingham, WA 6168
Phone	+61 (0) 8 9439 6300
Web	www.wakaolin.com

Price Chart



Price to 29th^h June 2021

WA KAOLIN LIMITED (ASX: WAK)

In construction and undervalued against less advanced peers

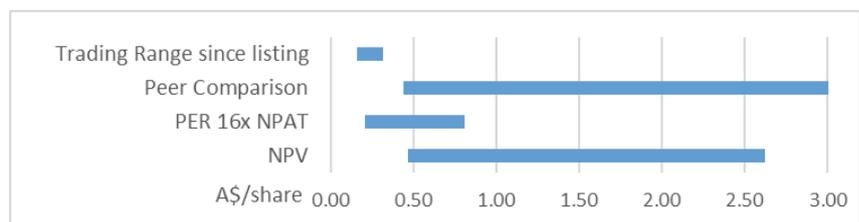
Recommendation: BUY

KEY POINTS

- WA Kaolin is on track to complete Wickepin Stage 1 construction in August 2021 with commissioning expected by January 2022, and commercial production in the March 2022 quarter, with additional stages to follow.
- The kaolin market is forecast to grow at over 4%pa over the next five years at least, creating the opportunity, and possibly the necessity, for WA Kaolin to grow into a significant global supplier.
- The company's Resource base is sufficient to support production of over 1Mtpa, with timing of market penetration being the limiting factor.
- Drivers of share price appreciation are expected to be:
 - Evidence of product acceptance by market through 2021 and 2022
 - Construction completed Q4 2021, commissioned by January 2022
 - Ramp up to full production during first half of 2022
 - Clarity on timing and funding of Stage 2 in 2023

We have looked at valuing WA Kaolin a number of ways, including NPV, PER, and peer comparison, and with each measure, we come up with a valuation range of between A\$0.30/sh and over A\$1/sh. The valuations are sensitive to a range of factors, but we believe the factor most relevant to driving the perception of value is the rate of sales volume growth (ie announced contracts), and the implications for future expansion.

Our price target of A\$0.60/sh is based on where the share price will be in 12 months time, that is by the middle of 2022, with the Stage 1 plant operating, and the market getting a sense of how quickly the company will grow. Both NPV and PER valuations will be determined by perception of the timing of Stage 2.



Hence, Breakaway Research has a BUY recommendation on WA Kaolin with a price target of A\$0.60/share.

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WA Kaolin Limited

Share Price A\$/sh	0.200			
Price Target A\$/sh	0.600			
PROFIT AND LOSS A\$M	FY21F	FY22F	FY23F	FY24F
Revenue	1.2	13.2	52.8	99.2
COGS	-2.1	-11.4	-39.4	-72.4
Gross Profit	-0.9	1.8	13.4	26.9
Gross Profit Margin	na	14.0%	25.4%	27.1%
Corporate & Exploration	-0.8	-0.9	-1.0	-1.1
EBITDA - Reported	-1.7	0.9	12.5	25.7
D&A	0.0	-0.2	-0.7	-1.3
EBIT - Reported	-1.7	0.7	11.7	24.4
Total Financial Income	0.8	-2.1	-2.2	-1.8
PBT	-0.9	-1.4	9.5	22.6
Tax Expense	0.3	0.4	-2.9	-6.8
NPAT	-0.6	-1.0	6.7	15.8
Shares on Issue	282.8	282.8	320.8	414.5
Dilited Shares on Issue	477.5	477.5	477.5	477.5
EPS undiluted A cps	-0.23	-0.35	2.08	3.81
Dividend Acps	0.00	0.00	0.00	2.52
EBITDA Margin %	na	6.8%	23.6%	25.9%
Return on Equity:	na	na	35.4%	33.2%
Return on Invested Capital:	na	na	43.9%	41.5%
PER	na	na	9.6	5.2
Price/Book	15.5	21.2	3.4	1.7
Book value A\$/sh	0.01	0.01	0.06	0.11
VALUATION (NPV)	FY21F	FY22F	FY23F	FY24F
Wickepin	334.0	368.7	395.3	401.8
Corporate Overhead	-15.7	-16.1	-16.5	-16.9
Cash on hand	7.1	0.3	2.1	18.0
Debt	-19.0	-19.7	-20.2	-6.7
Net Working Capital	-1.0	-3.5	1.1	15.9
Valuation A\$M	305.4	329.7	361.9	412.0
Valuation A\$/sh	1.080	1.166	1.128	0.994
Discount Rate	7.0%			
OPERATING DATA (100%)	FY21F	FY22F	FY23F	FY24F
Revenue A\$M	1.2	13.2	52.8	99.2
Site Direct Costs A\$M	-0.8	-6.5	-24.3	-44.9
Royalty A\$M	-0.1	-1.0	-3.9	-7.3
COGS A\$M	-0.9	-7.4	-28.2	-52.2
Site Overheads A\$M	-1.0	-1.5	-2.3	-3.7
Corporate A\$M	-0.8	-0.9	-1.0	-1.1
Sales & Marketing A\$M	0.0	-0.1	-0.3	-0.5
Ocean Freight A\$M	-0.2	-2.2	-8.5	-15.7
R&D A\$M	0.0	-0.2	0.0	-0.2
Total Costs A\$M	-2.9	-12.3	-40.3	-73.5
EBITDA	-1.7	0.9	12.5	25.7

WAK

CASH FLOW YE June	FY21F	FY22F	FY23F	FY24F
Receipts From Customers	1.2	12.7	47.7	94.2
Payments to Suppliers	-4.2	-9.3	-39.9	-83.2
Net Interest Paid	-0.9	-1.0	-1.0	-0.6
Taxes Paid	0.0	0.0	0.0	-2.9
Net Cash from Operations	-3.9	2.4	6.8	7.5
PP&E	-10.8	-8.7	-13.8	-0.4
Mine Development	0.0	0.0	0.0	0.0
Investing Activity	-10.8	-8.7	-13.8	-0.4
Issues/Option Conversion	22.0	0.0	9.5	23.4
Forward Sales	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Net Borrowings	0.0	-0.5	-0.7	-14.7
Financing Costs	-2.2	0.0	0.0	0.0
Financing Activity	19.8	-0.5	8.8	8.8
FX Difference	0.0	0.0	0.0	0.0
Net Increase in Cash	5.1	-6.8	1.8	15.9
YE Cash on Hand	7.1	0.3	2.1	18.0
BALANCE SHEET YE June	FY21F	FY22F	FY23F	FY24F
Cash	7.1	0.3	2.1	18.0
Receivables	0.3	0.7	5.8	10.9
Inventories	0.2	1.5	7.2	13.1
Total Current Assets	7.6	2.6	15.1	42.0
PP&E	16.4	24.9	38.0	37.1
Expln & Mine Devt	0.0	0.0	0.0	0.0
Deferred Tax Asset	0.3	0.7	0.7	0.7
Total Non Current Assets	16.7	25.6	38.7	37.8
Total Assets	24.2	28.2	53.8	79.7
Trade Payables	1.5	5.8	11.9	8.1
Borrowings	19.0	19.7	20.2	6.7
Current Tax Liabilities	0.0	0.0	2.9	6.8
Provisions	0.1	0.1	0.1	10.5
Total Liabilities	20.6	25.5	35.0	32.1
Net Assets	3.7	2.7	18.8	47.6
Issued Capital	29.0	29.0	38.5	61.9
Reserves	34.8	34.8	34.8	34.8
Retained Profits	-60.1	-61.1	-54.5	-49.1
Shareholder Equity	3.7	2.7	18.8	47.6
ASSUMPTIONS	FY21F	FY22F	FY23F	FY24F
Ore Reserves Kt dry	30500	30499	30499	30499
Ore Mined Kt wet	11	133	512	925
Recovery	38%	38%	38%	38%
Sales Kt dry	4	50	192	347
ASP A\$/t	293.0	264.0	275.0	286.0
Revenue A\$M	1.2	13.2	52.8	99.2



Company Overview & Investment Case

Strategy of organic growth from cash flow

WA Kaolin intends to invest A\$18.07M in order to move and expand its existing K99 plant from Kwinana to the mine site at Wickepin and to ramp-up K99 production capacity to Stage 1 capacity of 200,000 tonnes per annum within 12 months, followed by a similar sized Stage 2 costing A\$13.45M. These two stages use a low cost dry processing route.

On completion of Stage 2, the additional free cash flow may allow investment in construction of a wet process plant to produce finished product suitable for premium paper and packaging markets at 250,000 tonnes per annum, with capability to double that output to a total of 500,000tpa wet processed products and 400,000tpa dry processed products.

The strong reserve base provides the company with a strong low risk organic growth platform. At a waste to ore ratio of less than 1:1, serviced by public infrastructure such as rail, and road, and using similar, or cheaper, processing technology compared to its international peers, WA Kaolin is likely to be cost competitive in the long term, able to grow market share, and therefore grow faster than the global kaolin demand growth rate. The diversity of industries that consume kaolin mean that kaolin demand will grow at least as fast as, if not faster than, world growth.

Valuation

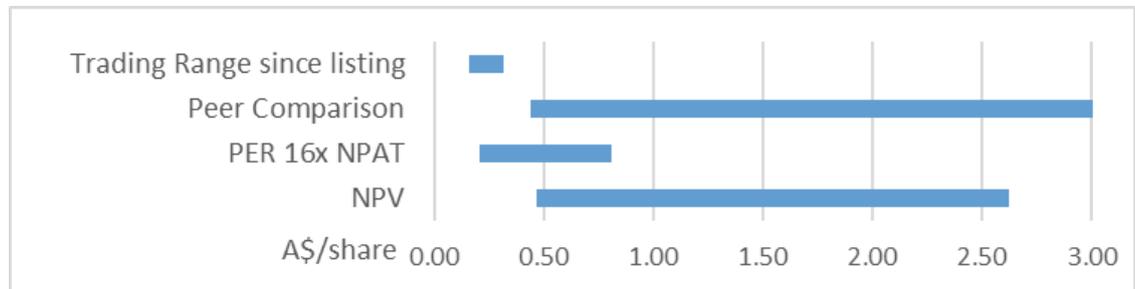
On NPV, worth A\$0.47/sh to over A\$2.00/sh depending on how many stages of growth are priced in.

On Earnings in FY23 and FY24, at market average Price Earnings Ratio, worth A\$0.21/sh to A\$0.81/sh.

On Resources compared to peers, A\$0.44/sh to over A\$2.00/sh.

Trading range since listing A\$0.16/sh to A\$0.323/sh

FIGURE 1 VALUATION SUMMARY (A\$/SH)



Source: Breakaway estimates

The details of our valuations are discussed later. Our 12 month price target is focussed on where the company will be in the middle of 2022, when it will be in production from Stage 1, probably issuing sales guidance for FY22, and guidance on the timing of Stage 2. We see near term earnings as posing some limit on how high the share price will go, but we expect the share price will be significantly higher than the low end of our valuation range.

As discussed under selling price risk, Kaolin prices do not exhibit significant volatility, and there is no spot market, so we do not expect the stock market to place much focus on kaolin price movements. However, we believe kaolin prices are likely to step upwards by more than average over the next few years, providing support for new entrants.

On that basis, the price target of A\$0.60/sh has been adopted, reflecting the A\$0.47/sh Net Present Value of Stage 1, plus A\$0.13/sh of the A\$0.61/sh Net Present Value uplift from Stage 2. A\$0.60/sh is 20% above the middle of the A\$0.21/sh to A\$0.81/sh valuation range based on earnings. We believe the market should price the company in the upper half of the range because of its growth prospects.



Risks

Access

The company has access agreements for tenement M70/1143, which are sufficient to support Stages 1 and 2 of the expansion programme. At some point, additional access must be negotiated to permit expansion to continue.

Funding risk

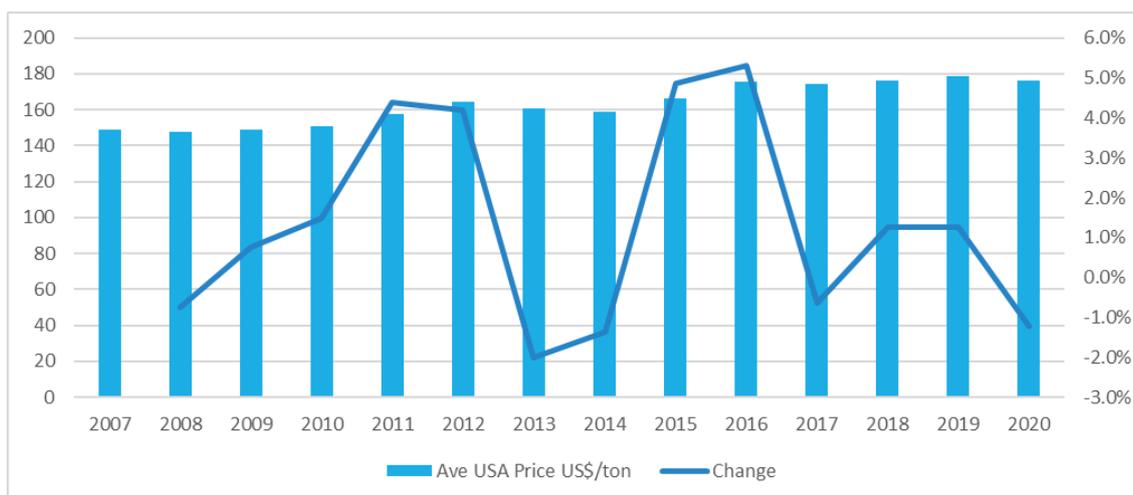
The company believes and our estimates confirm that it has sufficient cash and cash flow to construct Stage 1 (200,000tpa). Its ability to construct Stage 2 (expansion to 400,000tpa) on the time frame assumed in our forecasts is dependent on either the exercise of some of the outstanding options, or by securing additional debt of between A\$10M and A\$14M.

The existing A\$19.2M book debt has an undiscounted cash value of A\$23M (see Debt Section) and is provided by the original project sponsors, who also have very significant equity interests. That debt is likely to be highly aligned with the interests of shareholders. The prospectus states specifically that any decision by the WA Kaolin directors not to repay that debt due to lack of cash flow is not a default (WAK prospectus 24 November 2020 p201).

Selling price risk

The prices assumed in the Definitive Feasibility Study and assumed in the financial modelling in this report start towards the lower end of the range of typical prices, and then grow over time as the company builds its reputation in the market and refines its sales portfolio. While noting there is no kaolin spot market, representative kaolin pricing has been in a very stable uptrend for decades, and barely changed during the 2008 GFC, and the 2020 COVID 19 event (Figure 2). Every 5 years there appears to be a couple of years of around 4%pa price increases followed by a couple of years of around 1% decreases. If this pattern continues, we should see another increase phase soon. Overall, the price volatility is at very low levels. The 2020 US price of US\$176/tonne is A\$234/tonne at current AUDUSD rates, compared to the FY22 price assumed of A\$264/tonne with the difference easily accounted for by shipping freight and tariffs from the US into Asia.

FIGURE 2 AVERAGE US KAOLIN PRICE 2007 - 2020



Source: <https://www.statista.com/statistics/248194/average-price-of-kaolin/>

Sales volume risk

WA Kaolin will be selling a substantial proportion of its sales through distributors on short term contracts. WA Kaolin's ability to ramp up will be dependent on its distributors' ability to make sales. This risk is less about the survival of the company and more about the likely rate of growth, and the timing of the Stage

2 expansion. The Stage 1 project is largely underwritten by the Stanco (DTT) offtake agreement which required Stanco to take a minimum tonnage in 2022 of 46,080t, 2023 of 60,403t, 2024 of 110,688t, and lower amounts in later years.

The March 2021 quarterly indicated that offtake contracts and non binding Letters of Intent on hand totalled 551,000t or 83% of the 664,000t targeted production in the first three years. Our first three years total is 589kt (2022-2024). Stage 2 therefore requires to conversion of the LOIs into binding contracts.

TABLE 1 STANCO (DTT) CONTRACTED SALES TO 2025- PRICE FLOOR SET AT 90% OF PREVIOUS YEARS PRICE

	2020	2021	2022	2023	2024	2025	Total
Contract Volume tonnes	3,504	5,520	57,600	75,504	138,360	57,600	338,088
80% Take or Pay tonnes	2,803	4,416	46,080	60,403	110,688	46,080	270,470
Breakaway Sales Est tonnes		4,000	50,000	192,000	347,000	383,000	383,000

Source: WAK Prospectus 24 November 2020 pp203-205

WA Kaolin has been working with a number of other distributors over the period the Kwinana processing plant has been operating. The Stage 1 plant is adding around 1.2% of supply to the addressable market through established distributor and customer relationships, and we see this risk as well managed.

TABLE 2 WA KAOLIN DISTRIBUTORS AND DIRECT CUSTOMERS AS AT NOVEMBER 2020

Country	Counterparty	Industry	Relationship
China & Taiwan	Dak Tai Trading Limited	Fibreglass	Distributor
Taiwan	CHOKO Co Ltd	Ceramics	Distributor
Vietnam	Australian Ceri Pty Ltd	Ceramics	Customer
Japan	Yamaka Clay Material Corporation	Ceramics	Customer
China & Taiwan	CMP Tianjin Co Ltd	Coatings	Distributor
Australia	BGC Plasterboard	Building Products	Customer
Japan	KCM Corporation	Ceramics	Distributor

Source: WAK Prospectus 24 November 2020 pp45-46

Project Delivery Risk

We believe risks in respect of capital and operating costs are likely to be contained because of the work done at the company's existing 20,000tpa plant at Kwinana, and the attractive location of the operation. The process is simple and well tested. The production rate scaleup from Kwinana to Wickepin is 4 to 5 times, which is relatively small. Mining at Wickepin site has fed the Kwinana plant for over 18 months.

Other Risks

We refer investors to the discussion of risks in the WAK prospectus of 24 November 2020, Section 6.

Project Value and Peer Comparison

Net Present Valuation of operations generates between A\$0.47/sh to >A\$2.00/sh

TABLE 3 NET PRESENT VALUE ASSUMING STAGE 2 EXPANSION TO 400KTPA OF DRY PROCESS PRODUCT IS A\$1.08/SH

	Stage 1	Stage 2	Stage 3	Stage 4
Wickepin Dry	0.57	1.18	1.18	1.18
Wickepin Wet	0.00	0.00	0.94	1.49
Exploration	0.00	0.00	0.00	0.00
Corporate Overhead	-0.06	-0.06	-0.06	-0.06
Cash on hand	0.03	0.03	0.03	0.03
Debt	-0.07	-0.07	-0.07	-0.07
Valuation A\$M	0.47	1.08	2.02	2.57
Production Ktpa	200	400	650	900

Source: Breakaway estimates, refer to Tables 13 to 17 for assumptions

On earnings at the average Australian market PER, WAK is worth A\$0.21/sh-A\$0.81/sh

We argue that WA Kaolin is likely to be a multi-year growth stock and should be rated at a PER higher than that of the market. Investors may require it to build up a track record to achieve an above market rating, so in the meantime, reported earnings will be important and Table 4 shows valuations based on earnings by year for Stage 1 only and for Stages 1 and 2 combined, using the current ASX average PER of 16x.

Our Stage 1 only scenario includes a slower ramp up, with 150,000 tonnes of sales in FY23, compared to 192,000 tonnes for the same year in the Stages 1+2 base case (our base case for this report).

We believe the market will be focused on earnings and guidance, as well as any marketing or contracting announcements, to form a view as to the pace of the volume ramp up. With that focus, we would be surprised to see the WA Kaolin share price outside of the valuation range set by earnings.

TABLE 4 WA KAOLIN FORECAST EARNINGS AND VALUATION AT THE AVERAGE MARKET PRICE EARNINGS RATIO

	Jun-22F	Jun-23F	Jun-24F	Jun-25F	Jun-26F
NPAT A\$M					
Stage 1	-1.00	4.28	7.45	8.97	9.97
Stages 1+2	-1.00	6.66	15.81	21.26	23.02
NPAT cps					
Stage 1	-0.35	1.34	1.80	2.14	2.09
Stages 1+2	-0.35	2.08	3.81	5.07	4.82
Valuation at 16x NPAT A\$/sh					
Stage 1		0.21	0.29	0.34	0.33
Stages 1+2		0.33	0.61	0.81	0.77

Source: Breakaway estimates, Market PER from <https://www2.asx.com.au/markets/company/PER>

Peer Comparison generates a WA Kaolin value range of A\$0.44/sh to A\$5.59/sh

TABLE 5 COMPARISON WITH INDUSTRY PEERS – CALCULATION OF ENTERPRISE VALUE (EV) PER TONNE OF RECOVERABLE KAOLIN

	WAK	ADN	SUV	LRS	ATC	FYI
	WA Kaolin	Androme -da	Suvo	Latin Res.	Altech	FYI Res.
Commodity	Kaolin	Kaolin	Kaolin	Kaolin	HPA	HPA
Issued Shares M	282.8	2160.7	585.5	1368.6	1224.1	321.1
Share Price 29/6/21	0.200	0.180	0.140	0.047	0.041	0.560
Capitalization A\$M	56.6	388.9	82.0	64.3	50.2	179.8
Latest Cash A\$M	15.4	6.7	5.8	4.0	5.7	9.2
Latest Debt A\$M	23.0	0.0	0.0	0.0	0.0	0.0
EV A\$M	64.1	382.2	76.2	60.3	44.5	170.6
Performance Shares M	27.5	19.8	40.5	25.0	23.7	
Options M	167.2	86.3	119.5	517.2	157.9	47.4
Diluted Shares M	477.6	2266.8	745.5	1910.7	1405.6	368.5
Diluted Cap. A\$M	95.5	408.0	104.4	89.8	57.6	206.4
Options Cash A\$M	60.8	13.4	11.1	12.1	18.3	17.1
Debt A\$M	23.0	0.0	0.0	0.0	0.0	0.0
EV A\$M	57.7	394.6	93.3	77.7	39.3	189.3
Current EV/t Kaolin	1.2	29.2	2.5	0.8	7.0	15.1
Diluted EV/t Kaolin	1.1	30.1	3.1	1.0	6.2	16.7
Resource Granite Mt	109.1	26.0	72.5	207.0	12.7	
Resource Kaolin Mt	54.5	13.1	29.9	79.0	6.4	11.3

Source: Share structures from the Appendix 2A releases for each company as at WAK 20 November 2020, ADN 22 March 2021, SUV 31 December 2020, LRS 31 May 2021, ATC 18 December 2020, and FYI 18 May 2021. Cash at 31 March 2021. Resource numbers from latest company releases, and in the case of LRS, the Kaolin is assumed to be 50mt halloysite + 29Mt ISO 80 Kaolin. Andromeda has 75% of its Project Resource.



WA Kaolin is one of the most advanced of its peers in that it has the longest history of pilot plant operation and the construction of the first stage of its commercial operation to commence commissioning in late 2021. Suvo has just purchased the Pittong, Victoria operation from Imerys which has been operating since the 1960's, so it can claim a longer corporate operating history, but not in the testing of its growth deposit in WA, where it lags behind WA Kaolin.

WA Kaolin's immediate peers are Andromeda and Suvo Strategic, companies also targeting the kaolin market, rather than the premium High Purity Alumina market. Latin Resources may also be a peer, depending on its target market, but is also considerably less advanced and is more risky, given it has only just announced a Resource, while WA Kaolin is almost in commercial production.

WA Kaolin is the cheapest of its main peers on a dollars of Enterprise Value (EV) per tonne of kaolin in Resource. In Table 6, we calculate two Enterprise Values, one based on existing shares on issue, and the other on fully diluted shares after issue of all performance shares and conversion of all options. The cash raised from the option exercise is included in cash holdings when calculating the diluted Enterprise Value.

Either way, WA Kaolin is trading at an Enterprise Value of A\$1.1-1.2/Resource tonne of kaolin in Resource, vs Andromeda at A\$29.2-30.1/t and Suvo at A\$2.5-3.1/t.

Using Suvo as a comparison, on kaolin Resources WA Kaolin is worth A\$0.44/sh fully diluted or A\$46/sh on issue currently. The Andromeda comparative valuations are very high at A\$3.52/sh to A\$5.59/sh.

The large difference between Andromeda and Suvo throws this analysis into question. A major difference between the two is project stage with Andromeda at Preliminary Feasibility study stage, with a Definitive Feasibility Study due in the September 2021 quarter, and construction to start February 2022.

Suvo is at Scoping Study stage but states that it intends to complete its Definitive Feasibility Study and start mining by December 2021. If it can achieve that outcome, with minimal change to its operating and capital costs, it would be on a similar project level to Andromeda.

Using Suvo as a comparison, WA Kaolin is worth A\$0.44/sh fully diluted or A\$46/sh on shares issue currently. The Andromeda comparative valuations are very high at A\$3.52/sh to A\$5.59/sh.

Because WA Kaolin's major project is so much more advanced than Suvo's White Cloud project, we believe the Suvo based valuation sets an absolute bottom end of the range, and WA Kaolin should trade between the metrics of Suvo and Andromeda.

TABLE 6 PEER COMPARISON SUGGESTS THAT WA KAOLIN IS WORTH OVER A\$0.44/SH

	On current Issued shares		On fully diluted shares	
	Andromeda	Suvo	Andromeda	Suvo
Enterprise Value A\$/t Kaolin	29.2	2.5	30.1	3.1
WAK Resource Kaolin Mt	54.5	54.5	54.5	54.5
Implied Enterprise Value of WAK A\$M	1589.6	138.8	1641.0	170.0
WAK Diluted Cash A\$M	15.4	15.4	60.8	60.8
WAK Debt A\$M	23.0	23.0	23.0	23.0
Implied Market Capitalisation A\$M	1582.1	131.3	1678.9	207.8
Implied value A\$/WAK share	5.59	0.46	3.52	0.44

Source: Table 5



Recent share price performance: WA Kaolin appears to be relatively cheap and should generally outperform its peers as it catches up.

FIGURE 3 WA KAOLIN SHARE PRICE VS CLOSEST PEERS, ANDROMEDA AND SUVO STRATEGIC

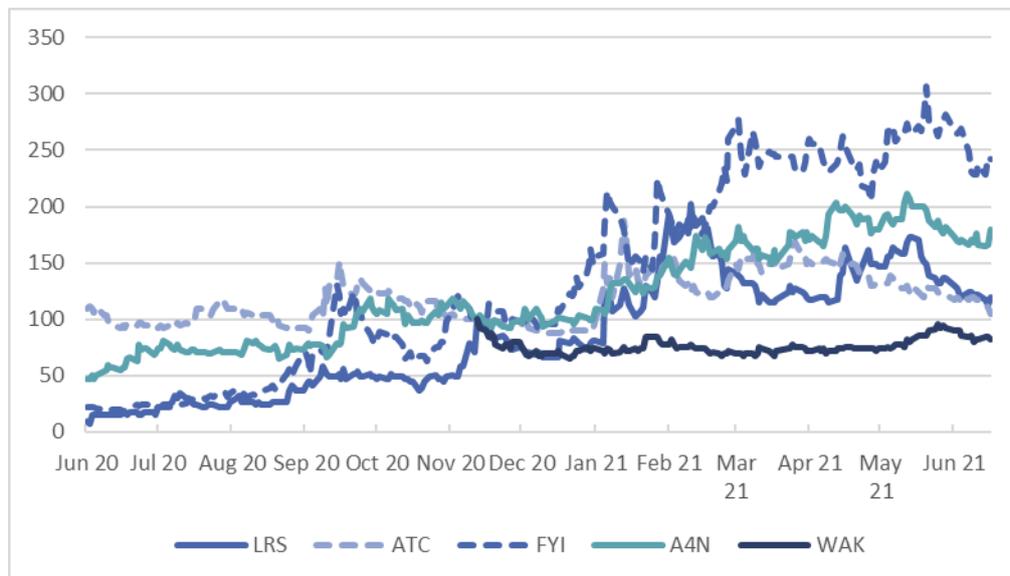


Source: ASX share prices indexed to 100 on 26 November 2020, last price 30 June 2021.

Against the closest peers, WA Kaolin has matched Andromeda until recently, but without the volatility, and has significantly underperformed Suvo.

The spike in Andromeda's share price around 12 March 2021 was probably the announcement of inclusion in the All Ordinaries, and the recent bounce probably relates to the announcement on 10 June 2021 of a binding offtake agreement for 70,000tpa at over A\$700/t fixed for the first three years. The recent fall is partly the announced capital raise, and general weakness in the market and in kaolin stocks.

FIGURE 4 WA KAOLIN SHARE PRICE VS OTHER PEERS, LATIN RESOURCES, ALTECH, FYI RESOURCES, AND ALPHA



Source: ASX share prices indexed to 100 on 26 November 2020, last price 30 June 2021



WA Kaolin strategy vs peers

WA Kaolin Stage 1 production is 1.2% of its addressable market, and the price it is assuming in its Definitive Feasibility Study is in the middle of the price range, making it a far lower risk proposition than its peers, and it may well access those higher margin markets in due course.

The company's strategy is to become established in bulk lower margin kaolin markets using a low capital intensity processing route, and then growing in terms of operational complexity and capital intensity over time, to be able to participate in higher margin, technically more challenging products, from a base of strong operating cash flows, and established distribution channels.

Comparing key project metrics with main kaolin peers

Comparing the Andromeda and Suvo projects in Table 7, we see that Andromeda has a higher operating cost per tonne produced, and a lower capital cost per tonne of annual capacity. The operating cost difference appears to be tied up in Andromeda's much higher transport cost, and its initial use of third party refining, distribution and packaging, which speaks to its marketing strategy of selling in 25kg bags.

Suvo is only at scoping study stage vs Andromeda's Preliminary Feasibility Study, and so carries a higher theoretical risk that its costs will vary as the project progresses.

WA Kaolin's capital cost per tonne of installed capacity for Stage 1 is around 25% of the cost either Suvo or Andromeda, and a lower operating cost. Its strategy is to sell in bulk to distributors or bulk customers.

WA Kaolin's margin is also lower, and around half that of Suvo and Andromeda, but we believe there is no reason why that gap shouldn't close as WA Kaolin expands into wet processing, giving it access to higher margin markets.

TABLE 7 KEY PEER COMPARISONS – SUVO AND ANDROMEDA EXPECTING 4X WA KAOLIN'S INITIAL MARGIN

	WA Kaolin	Andromeda	Suvo
Kaolin Prodn Ktpa	200	233	200
Life Years	75	15	25
Capex to Main Stage A\$M	18	69	68
Working Capital A\$M	5	15	18
Total Capex A\$M	23	84	86
Capex A\$/t	115	361	430
Kaolin Price A\$/t	321	720	720
Kaolin OpEx A\$/t	227	346	256
EBITDA Margin	29%	52%	64%
EBITDA RATIO	1.0	1.8	2.2

Source: WAK DFS Part 1 24 November 2020, Andromeda PFS 1 June 2020, Suvo Scoping Study 27 May 2021. Note: 1. The Andromeda selling price was A\$700/t in its PFS, but has been increased to \$720/t to match the Suvo price post Andromeda's 10 June 2021 announcement that the sales contract was at a price higher than the PFS. Note 2. The WA Kaolin price is the average 12 year estimated price per the 24 November 2020 DFS Section 22.7 Table 29.

WA Kaolin is likely to be able to supply the same higher value markets in time

The reason why WA Kaolin is expecting to sell at around A\$265/tonne is because:

1. the dry processing route used in Stage 1 and Stage 2 cannot produce the higher value products.
2. WA Kaolin is selling in bulk and is not planning to receive the prices reflecting small bag costs.

However, WA Kaolin is planning to build a wet processing plant similar in size to those proposed by Andromeda and Suvo, possibly coming on-line in 2026 or 2027. Andromeda's Definitive Feasibility Study due in the September 2021 quarter is expected to show construction starting in February 2022 (ADN presentation 25 February 2021 p11), so the onsite plant delivering the full margin on around 120,000tpa product will be on-line by early 2023, at best two years ahead of WA Kaolin.

We would argue that there should be some provision in the WA Kaolin valuation for the value of that wet plant expansion in due course. At best, that would add the current market capitalisation of Andromeda, or A\$389M, to the WA Kaolin market capitalisation, albeit discounted by between one and five years.

High Purity Alumina is potentially a longer term opportunity for WA Kaolin

The focus on battery materials has created a lot of interest in High Purity Alumina (HPA), which is viewed as having the ability to increase charging and discharging speeds of lithium ion batteries, reducing first charge voltage loss, and improve battery stability and life. The battery demand is a very small, but growing, part of a very small overall HPA market of around 51Ktpa at present, growing to 144Kt by 2029, mainly on demand for LED light bulbs. The current pathway for creating HPA is to start with aluminium metal. However, a number of companies, including FYI and Altech, are seeking to demonstrate that HPA can be produced from kaolin, bypassing the cost of buying aluminium feedstock, and enjoying a permanent competitive cost advantage.

TABLE 8 HIGH PURITY ALUMINA FORECAST DEMAND BY PRODUCT CATEGORY

'000t	2018	2019	2020	2021	2022	2023	2024	2025	2026	CAGR
LED Bulbs	15.1	17.9	21.4	25.8	31.4	38.4	47.4	59.0	73.9	22.5%
Chip Substrate	4.8	5.6	6.7	8.0	9.7	11.8	14.5	18.0	22.4	22.4%
Li Batteries	2.6	3.3	4.0	5.1	6.4	8.1	10.3	13.3	17.2	26.8%
Optical Lenses	1.8	2.1	2.4	2.9	3.4	4.1	4.9	6.0	7.4	19.8%
Bio Medical Devices	1.1	1.3	1.5	1.8	2.2	2.6	3.2	3.9	4.8	20.6%
Others	5.0	5.8	6.8	7.9	9.3	11.0	13.2	15.9	19.2	18.6%
Total	30.4	36.0	42.9	51.5	62.3	76.1	93.6	115.9	144.8	22.0%

Source: FYI DFS 11 March 2020

The fact that WA Kaolin, Andromeda and Suvo are not going down the HPA route does not mean they cannot do so later. They will have established their credentials as operators of industrial product businesses, and they would have the cash flow and balance sheet to support such an investment. The HPA market will also be larger in the future, and the addition of one or more 10,000tpa HPA production units would be less of a shock.

Pricing in the kaolin market, excluding High Purity Alumina (HPA)

TABLE 9 GLOBAL KAOLIN MARKET VOLUME BREAKDOWN AND SEGMENT PRICE RANGES

Application	Use Mt 2019	%	Price Range US\$/tonne CIF Asia			
			Hydrous Kaolin		Calcined Clay	
Paper	9.9	37%	230	260	400	450
Ceramics	8.9	34%	180	900	250	260
Paint & Coatings	2.1	8%	230	300	500	700
Refractories	1.3	5%				
Fibreglass	1.4	5%	200	220		
Rubber	0.9	3%	180	200	300	400
Plastics	1.0	4%	200	220	450	650
Cement	0.8	3%			300	650
Other	0.2	1%				
Total	26.5	100%				

Source: Suvo prospectus 5 March 2020 p50. Note the 2019 volume of 26.5Mt differs from the 33.2Mt in Table 20

Table 9 highlights the large amount of price variability depending on application, the degree of processing, and the form of packaging and distribution. There are small markets where the prices paid can be over \$3000/t, according to Suvo.

The table below tries to compare risk and return.

The return is measured by margin per tonne divided by capex per tonne of installed capacity. Margin is the expected trend selling price less All In Sustaining Cost. On the DFS prices assumed by the three representative companies, WA Kaolin has the lowest return at 37% vs Suvo at 108% and FYI at 101%.

TABLE 10 WA KAOLIN STRATEGY IN NUMBERS: DIMENSIONING START UP RISK AND RETURNS

Example Used	Dry Kaolin	Wet Kaolin	HPA
	WAK	SUV	FYI
Total Addressable Market in 2019 Ktpa	16800	26500	50
Starting Capacity Ktpa	200	200	10
Capacity/Market	1.2%	0.8%	20.0%
Price Range High US\$/t	300	900	50000
Price Range Low US\$/t	180	400	25000
AUDUSD	0.75	0.75	0.75
Price Range High A\$/t	400	1200	66667
Price Range Low A\$/t	240	533	33333
Assumed Average A\$/t	265	720	36000
All In Sustaining Cost A\$/t	222	256	8881
Margin High A\$/t	178	944	57785
Margin Low A\$/t	18	277	24452
Margin Average A\$/t	43	464	27119
Capex A\$/tpa capacity	115	430	26933
Return on Capital High	154%	220%	215%
Return on Capital Low	16%	64%	91%
Return on Capital Ave.	37%	108%	101%

Source: Market size and price ranges estimated from Table 9, a Suvo presentation of the 15 June 2021, and Table 8, a FYI DFS of 11 March 2020. Selling price averages from Table 9, opex and capex costs from Tables 7 and 11. While we have used the entire 2019 kaolin market volume of Suvo, the share of that market that pays A\$700/t or more is significantly smaller, but we cannot estimate its size with confidence. We also note the market will be bigger in later years.

The risk in this table is dimensioned in three ways:

1. **Volume Risk.** This measured by the size of the new capacity vs the current market size, where a small Capacity/Market is seen as low risk, as in the market accessible to dry processed kaolin, and a high Capacity/Market is seen as risky, as in the HPA market where Alpha plus Altech plus FYI plan to increase global supply by 50% between them. The wet kaolin market in this table actually refers to those products that command a significantly higher price than those that could be supplied by the dry process producers, and can only be accessed by wet process producers.
2. **Price Risk.** Wet kaolin producers are not running a risk that they will not be able to sell product, because they can also sell into the bigger market accessible by dry process producers. However, to do so, they would have to accept a lower price and therefore a lower margin, that would be a disappointment to investors, given the current price company assumptions.
3. **Capital Risk.** The capital required for the wet process in Australian dollars per tonne of capacity is 4x higher than for the dry process. The capex required to produce HBA is 62x that of the wet process Kaolin producers. However, the return of 101% for HBA is similar to the 108% for wet process kaolin, with limited evidence of additional reward for the higher capital.

TABLE 11 KEY METRICS FOR THE HBA PROJECTS

	ATC	FYI	A4N
HPA	Altech	FYI Res.	ALPHA HPA
Planned HPA Production Ktpa	4.5	10	10
Life Years (Alpha has no resource)	30	25	na
AUDUSD	0.75	0.75	0.68
HPA Price A\$/Kg	35.6	35.2	36.8
Opex excl stockfeed costs A\$/kg HPA	13.2	8.9	8.7
AI Stockfeed Purchase A\$/kg of HPA			4.1
HPA OpEx A\$/Kg	13.2	8.9	12.8
Margin A\$/Kg	22.4	26.3	24.0
Capex A\$M	396.8	269.3	308.0
Capex A\$/Kg pa	88.2	26.9	30.8

Source: Altech BFS 23 October 2017, Alpha Feasibility Study 19 December 2020, FYI DFS 11 March 2020

The standout observation from Table 11 is the large difference between Altech and FYI projects in terms of both capital and operating cost, with the FYI project having a capital cost of A\$26.9/Kg pa of capacity vs Altech at A\$88.2/Kg pa, and operating costs for FYI of A\$8.9/Kg vs Altech at A\$13.2/kg.

Alpha is fundamentally different from the others in that it starts its process with aluminium metal rather than kaolin. However, if the cost of feedstock is extracted, the remaining opex at Alpha is very close to that of FYI, and the capex is also relatively close that Alpha at A\$30.8/Kg pa.

Part of the higher Altech capital and operating costs is likely to be the smaller production rate, part could be due to the more complex corporate structure, and part may be due to Altech's strategy of going further down the production path, although any additional processing does not appear to have increased the selling price relative to the others.

For comparative purposes, we have used the FYI project in Table 10.

Financial Forecasts and Assumptions

Dividend Policy

In the prospectus (p49 Section 3.9), the company has undertaken to distribute 66% of distributable earnings to shareholders when it is able to do so. It does not expect to be able to do so in "near future", which we interpret to mean until Stage 2 is completed.

Support of creditors

TABLE 12 CREDITOR PAYMENT DEFERRALS NOTED IN THE PROSPECTUS

Deferred Payments	A\$M	Expiry	Listing	Anniversary of Deferral			
				2nd	3rd	4th	5th
Employee Support							
Alfred Baker	0.339	26-Aug-24		0.064	0.064	0.105	0.105
Andrew Sorensen	0.234	26-Aug-24		0.045	0.045	0.072	0.072
Keith Snell (deceased)	0.411	26-Aug-24		0.059	0.059	0.147	0.147
WAMCO Industries P/L	0.905	26-Aug-24	0.497	0.332	0.076		
WAMCO Industries P/L	0.200	FY21	0.200				
Total	2.089		0.697	0.500	0.244	0.324	0.324

Source: WAK Prospectus 24 November 2020, p49, p201-203

Financials

TABLE 13 PROFIT AND LOSS (MODELLED ON STAGE 1 AND STAGE 2 PER THE DFS EXPANSION PHASE)

PROFIT & LOSS	Jun-21F	Jun-22F	Jun-23F	Jun-24F	Jun-25F	Jun-26F	Jun-27F
Revenue	1.17	13.20	52.80	99.24	112.99	116.82	120.65
Operating Costs	-2.06	-11.36	-39.38	-72.38	-79.65	-81.50	-84.64
Corporate OH	-0.81	-0.95	-0.97	-1.12	-1.14	-1.17	-1.32
Costs	-2.87	-12.30	-40.35	-73.50	-80.79	-82.67	-85.96
EBITDA	-1.70	0.90	12.45	25.75	32.20	34.14	34.68
D&A	-0.02	-0.19	-0.73	-1.31	-1.45	-1.45	-1.45
EBIT	-1.71	0.71	11.73	24.43	30.75	32.69	33.23
Interest Costs	-0.91	-0.97	-1.03	-0.63	0.02	0.20	0.38
Financing Costs	1.70	-1.14	-1.18	-1.21	-0.40	0.00	0.00
PBT	-0.93	-1.40	9.51	22.59	30.37	32.89	33.61
Tax Expense	0.28	0.42	-2.85	-6.78	-9.11	-9.87	-10.08
NPAT	-0.65	-0.98	6.66	15.81	21.26	23.02	23.53
Dividend \$M	0.00	0.00	0.00	10.44	14.03	15.19	15.53
Franking	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%
Shares on Issue	283	283	321	415	420	478	478
Diluted Shares on Issue	477.530	477.530	477.530	477.530	477.530	477.530	477.530
Adj EPS A\$/sh	-0.001	-0.002	0.014	0.033	0.045	0.048	0.049
Options on Issue M	194.73	194.73	156.71	63.00	58.00	0.00	0.00

Source: Breakaway estimates

Our base case assumes that Stage 1 reaches 95% of capacity for FY22, and Stage 2 reached 95% of capacity for FY24.

The financing cost includes the adjustment to increase the debt each year as the discount unwinds.

TABLE 14 CASH FLOW ASSUMING SOME OPTIONS ARE EXERCISED TO PAY FOR STAGE 2

CASH FLOW	Jun-21F	Jun-22F	Jun-23F	Jun-24F	Jun-25F	Jun-26F	Jun-27F
Receipts From Customers	1.17	12.73	47.74	94.15	111.48	116.40	120.23
Payments to Suppliers	-4.15	-9.33	-39.90	-83.18	-81.29	-82.80	-86.19
Cash Flow from Operations	-2.98	3.40	7.84	10.98	30.19	33.60	34.04
Interest Received	0.04	0.06	-0.03	0.02	0.18	0.20	0.38
Financing Costs	-0.95	-1.03	-1.00	-0.65	-0.16	0.00	0.00
Taxes Paid	0.00	0.00	0.00	-2.85	-6.78	-9.11	-9.87
Net Cash from Operations	-3.89	2.44	6.81	7.49	23.44	24.68	24.55
PP&E	-10.80	-8.70	-13.83	-0.40	-0.40	-0.40	-0.40
Mine Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investing Activity	-10.80	-8.70	-13.83	-0.40	-0.40	-0.40	-0.40
Issues/Option Conversion	22.00	0.00	9.50	23.43	1.75	10.68	0.00
Dividends	0.00	0.00	0.00	0.00	-10.44	-14.03	-15.19
Net Borrowings	0.00	-0.50	-0.67	-14.66	-7.13	0.00	0.00
Financing Costs	-2.24	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activity	19.76	-0.50	8.83	8.76	-15.82	-3.35	-15.19
FX Difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Increase in Cash	5.07	-6.76	1.81	15.85	7.22	20.93	8.96
YE Cash on Hand	7.09	0.33	2.14	17.99	25.21	46.14	55.10

Source: Breakaway estimates

Cash flow assumes some exercise of options to fund the construction and working capital requirements of Stage 2. Given the exercise price of A\$0.25/sh is close to the current market price, we do not see this as a demanding assumption. In the event there is no exercise, we would expect either debt funding or a short

deferral. The timing of the Stage 1 capital spending between FY21 and FY22 may change the cash at June 2021, and the capex spend in the Cash Flow for FY21 and FY22.

TABLE 15 BALANCE SHEET

BALANCE SHEET	Jun-21F	Jun-22F	Jun-23F	Jun-24F	Jun-25F	Jun-26F	Jun-27F
Cash	7.09	0.33	2.14	17.99	25.21	46.14	55.10
Receivables	0.26	0.72	5.79	10.88	12.38	12.80	13.22
Inventories	0.24	1.52	7.19	13.09	14.39	14.72	15.31
Total Current Assets	7.58	2.57	15.11	41.96	51.98	73.66	83.63
PP&E	16.38	24.90	38.00	37.08	36.04	34.99	33.94
Deferred Tax Asset	0.28	0.70	0.70	0.70	0.70	0.70	0.70
Total Non Current Assets	16.66	25.59	38.70	37.78	36.73	35.68	34.63
Total Assets	24.24	28.16	53.81	79.74	88.71	109.35	118.26
Trade Payables	1.50	5.75	11.87	8.10	8.90	9.10	9.46
Borrowings	19.03	19.67	20.18	6.73	0.00	0.00	0.00
Current Tax Liabilities	0.00	0.00	2.85	6.78	9.11	9.87	10.08
Provisions	0.07	0.07	0.07	10.50	14.09	15.26	15.60
Total Liabilities	20.59	25.49	34.97	32.10	32.10	34.23	35.14
Net Assets	3.65	2.67	18.83	47.64	56.61	75.12	83.12
Issued Capital	28.97	28.97	38.47	61.90	63.65	74.33	74.33
Reserves	34.83	34.83	34.83	34.83	34.83	34.83	34.83
Retained Profits	-60.15	-61.13	-54.47	-49.10	-41.87	-34.04	-26.04
Shareholder Equity	3.65	2.67	18.83	47.63	56.61	75.11	83.11

Source: Breakaway estimates

TABLE 16 OPERATING METRICS – EXPANSION CASE PER WA KAOLIN'S DEFINITIVE FEASIBILITY STUDY

Wickepin	Jun-21F	Jun-22F	Jun-23F	Jun-24F	Jun-25F	Jun-26F	Jun-27F
Ore Reserves Kt dry	30491	30373	29923	29108	28210	27311	26412
Ore Mined Kt wet	11	133	512	925	1021	1021	1021
Recovery	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
Sales Kt	4	50	192	347	383	383	383
ASP A\$/t	293	264	275	286	295	305	315
Revenue A\$M	1.2	13.2	52.8	99.2	113.0	116.8	120.6
Costs A\$M							
COGS ex Royalty A\$M	-0.8	-6.5	-24.3	-44.9	-50.7	-51.7	-52.9
Royalty A\$M	-0.1	-1.0	-3.9	-7.3	-8.3	-8.6	-8.8
COGS A\$M	-0.9	-7.4	-28.2	-52.2	-59.0	-60.3	-61.7
Site Overheads A\$M	-1.0	-1.5	-2.3	-3.7	-3.7	-3.8	-5.2
Corporate A\$M	-0.8	-0.9	-1.0	-1.1	-1.1	-1.2	-1.3
Sales & Marketing A\$M	0.0	-0.1	-0.3	-0.5	-0.6	-0.6	-0.6
Ocean Freight A\$M	-0.2	-2.2	-8.5	-15.7	-16.1	-16.5	-17.0
R&D A\$M	0.0	-0.2	0.0	-0.2	-0.2	-0.2	-0.2
Total Costs A\$M	-2.9	-12.3	-40.3	-73.5	-80.8	-82.7	-86.0
Revenue A\$M	1.2	13.2	52.8	99.2	113.0	116.8	120.6
COGS A\$M	-2.9	-12.3	-40.3	-73.5	-80.8	-82.7	-86.0
EBITDA	-1.7	0.9	12.5	25.7	32.2	34.1	34.7
Depreciation	0.0	-0.2	-0.7	-1.3	-1.4	-1.4	-1.4
Tax	0.0	0.0	0.0	0.0	-9.2	-9.8	-10.0
NPAT	-1.7	0.7	11.7	24.4	21.5	22.9	23.3
Working Capital	-0.9	-4.1	-0.2	-4.9	-0.3	-0.3	-0.3
Tax	0.0	0.0	0.0	0.0	-9.2	-9.8	-10.0
Capex	-10.8	-8.7	-13.8	-0.4	-0.4	-0.4	-0.4
Cash Flow	-13.3	-11.9	-1.5	20.4	22.3	23.6	24.0
NPV Post Tax	318.4	352.6	378.8	384.9	389.6	393.2	396.8

Source: Breakaway estimates

TABLE 17 THE 7% USED IN THE DFS IMPLIES A BETA OF 1.97

Cost of Equity		Source
Beta Range	1.97	
Risk free rate (Rf)	1.74%	https://www.rba.gov.au/statistics/tables/
Market Risk premium (Rm)	3.62%	http://www.market-risk-premia.com/au.html
Market premium (Rm)	5.36%	
Cost of Equity	8.87%	$Ke = Rf + \text{Beta}(Rm - Rf)$
Nominal WACC		
Cost of Equity Ke	8.9%	
Cost of Debt Kd	6.0%	Per WAK prospectus
Gearing D/(D+E)	40.0%	
Gearing E/(D+E)	60.0%	
Tax Rate	30.0%	
Weighted Average Cost of Capital (Ke)	7.00%	$W = (Ke * (E/V)) + (Kd * (1-t)*(D/V))$
Real WACC		
Expected Inflation	0.86%	https://www.rba.gov.au/statistics/tables/
(1+real) = (1+Ke)*(1+I)	1.061	
Therefore Real WACC	6.09%	

Sources: As noted in table, or Breakaway estimates

WA Kaolin's share price history is too short for a beta to be calculated. Its peers have beta estimates ranging from Andromeda at -0.27 to Suvo at 2.71 and the others falling within that range. A 1.97 beta generates the DFS discount rate of 7% which appears reasonable to us, given the stage of the project, and a lower beta would be reasonable as the project came on stream and ramped up the full Stage 1 production.

Project Fundamentals

Project Recap

Brief history (from WA Kaolin March Quarterly report)

"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."

WA Kaolin entered the listed market on 24 November 2020, accompanied by an impressive prospectus and Definitive Feasibility Study, in total running to 719 pages.

WA Kaolin operations include three currently planned elements, and potential expansion:

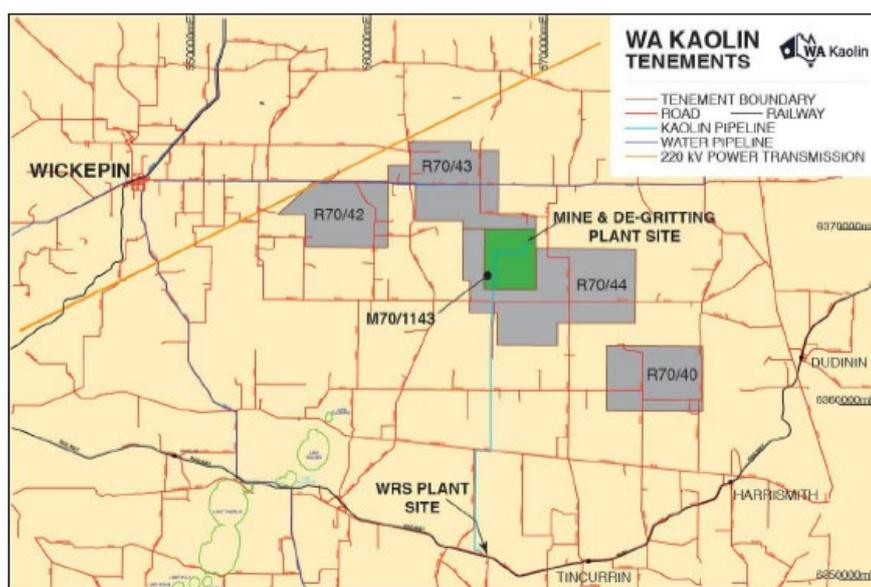
1. WA Kaolin constructed and since April 2017 has been producing ultra-bright kaolin from a 20,000tpa capacity commercial processing plant using full scale equipment on three hectares of portside industrial land at Kwinana, near Fremantle in Western Australia. The plant was originally constructed as a pilot plant to prove up the company's proprietary K99 dry processing technology, and now is currently shipping commercial container quantities to major producers and customers, through the ports of Fremantle and Bunbury.
2. Stage 1 of the Wickepin Project is to construct a mine and K99 dry processing plant at site at a cost of around A\$18M, ramping up to its capacity of over 200,000tpa of Kaolin products.

3. Stage 2 involves the construction of a wet processing facility at the Wedin rail siding and the further ramp up of production to over 400,000tpa of Kaolin products
4. Stage 3 is likely to be the construction of a 250,000tpa capacity plant based on wet processing technology, to allow WA Kaolin to sell higher quality specification products into higher priced applications. This would be similar technology to that proposed by Andromeda and Suvo. Using those companies as a template, a wet process plant of that size would probably cost around A\$80M. Our valuation includes the addition of a Stage 4, ie a doubling of Stage 3.

Location

The Wickepin Kaolin Project is located 220Km south east of Perth, Western Australia, The plant will be split between the mine site and a site adjacent to an existing rail line, providing low cost bulk transport to the ports of Bunbury and Fremantle.

FIGURE 5 TENEMENT MAP



Source: Prospectus Snowden Report p8

Resources and Reserves: Sufficient to support expansion to over 1Mtpa

WA Kaolin is starting production at 200,000tpa of kaolin product, from tenement M70/1143. That tenement has a reserve of 15.8Mt of recoverable kaolin. Even at 1Mtpa of kaolin product, the current Reserve would have over 15 years life. Expanding production would be supported by a further 19.3Mt of recoverable kaolin which is currently Inferred Resource in M70/1143 (Table 18), and a further 229Mt of recoverable kaolin from WA Kaolin’s other tenements (Table 19).

TABLE 18 RESOURCE AND RESERVE CONTAINED WITHIN THE M70/1143 MINING LEASE

	Kaolinised Granite Mt	Brightness	Yield	Kaolin Mt
2019 Resource				
Measured	38.0	82.0%	56.1%	21.3
Indicated	27.7	83.0%	50.2%	13.9
Inferred	43.3	83.0%	44.6%	19.3
Total	109.1	82.0%	50.0%	54.5
2020 Reserve				
Proved				
Probable	30.5	83.7%	51.8%	15.8
Total	30.5	83.7%	51.8%	15.8
Conversion	46.4%			44.9%

Source: WAK prospectus Snowden Report p28 with reserve outline from WAK DFS Part 3 CSA Report p28



From a Reserve/Resource perspective, this company is in the same category as a Pilbara iron ore producer. It has title to a mineral endowment that will allow it to expand almost indefinitely, limited only by demand for the products, and market share.

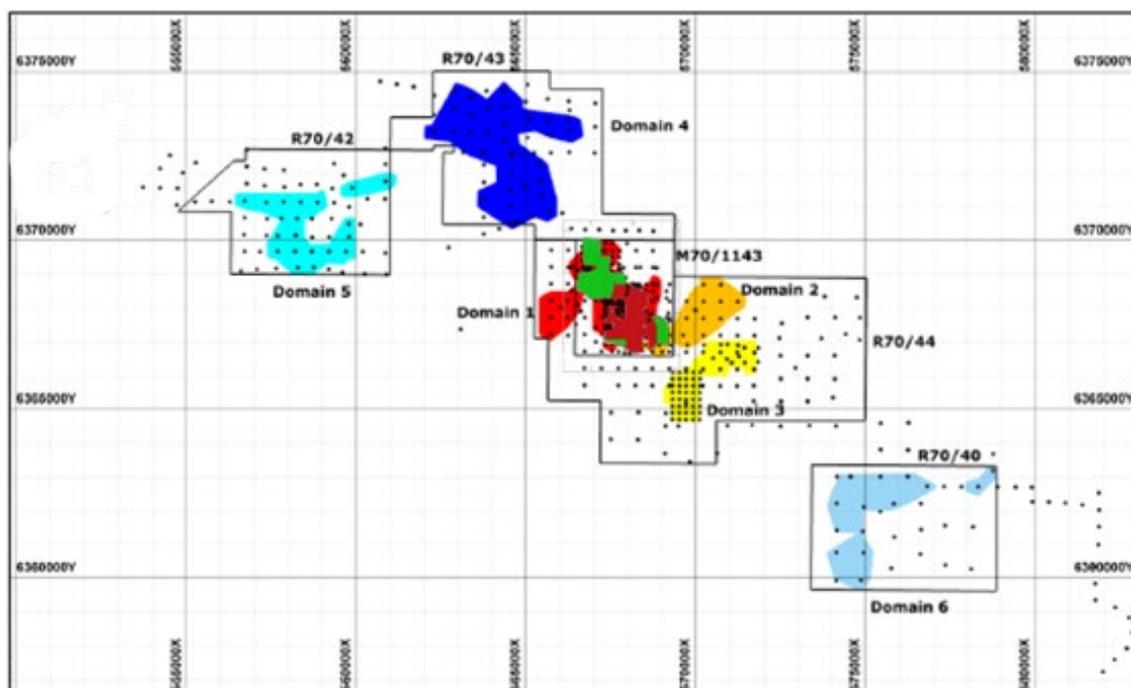
TABLE 19 PREVIOUS GLOBAL RESOURCE INCLUDING M70/1143

2017 Resource	Kaolinised Granite Mt	Brightness	Yield	Kaolin Mt
R70/40	73.4	77.7%	51.5%	37.8
R70/42	107.2	72.1%	40.7%	43.6
R70/43	210.7	74.4%	41.9%	88.3
R7/44	142.9	73.7%	41.2%	58.9
M70/1143	109.1	82.4%	50.0%	54.5
Total	644.5	75.8%	44.0%	283.6

Source: WAK prospectus Snowden Report p29

The location of the currently planned pit to supply Stage 1 and Stage 2 expansions is coloured Dark Red (for Measured Resources) and green (for Indicated Resources). It shows the significant potential of the rest of the tenement package.

FIGURE 6 TENEMENT LAYOUT SHOWING DRILL SPACING AND LOCATION OF PLANNED PIT (IN DARK RED AND GREEN)



Source: WAK prospectus Snowden Report p28, reserve outline overlay from WAK DFS Part 3 CSA Report p23

Processing to produce K99 Product (the dry process)

Ore mining is relatively simple and will be carried out by a contractor. The ore is free digging with no explosives required. The ore is dried in a gas fired kiln to reduce moisture from 12% to less than 1%. From the dryer the ore is fed to an attritioning and beneficiation circuit which removes quartz and sizes the product into various grades. The Kwinana demonstration plant processed 4462t of bulk sample over 18 months to around September 2020 to demonstrate the processing technology.

The Definitive Feasibility Study costs assume that WA Kaolin transports product to port and pays for shipping to its distributors, and the distributors cover the selling costs from that point.

Recovery from kaolinised granite to kaolin product requires some explanation. The Wickepin granite Resource contains 50% kaolin on a wet or dry basis. However, the ore mined is reported on a wet basis,



including in WA Kaolin's case 12% moisture. The recovery from ore mined assumed in the WA Kaolin financial model is 37.5% (Table 16). Peer recoveries to product are 40% for Suvo and 46% for Andromeda.

- Kaolin in granite ore is 50% on a dry basis (Reserve reporting), and reduces to 44% wet basis (ore produced reporting).
- Mining recovery at Wickepin is estimated at 98%.
- Metallurgical recovery at Wickepin is estimated at 87%.
- Overall recovery from wet ore is $44\% \times 98\% \times 87\% = 37.5\%$.

FIGURE 7 MAKING K99 PRODUCT INVOLVES MINING, DRYING,



Source: WAK prospectus 24 November 2020 p44

Kaolin Industry Fundamentals

Mineralogy

Kaolinite is a clay mineral, with the chemical composition $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$. It is a layered silicate mineral, with one tetrahedral sheet of silica (SiO_4) linked through oxygen atoms to one octahedral sheet of alumina (AlO_6) octahedra. Rocks that are rich in kaolinite are known as kaolin or china clay. Its key mechanical properties are very low shrinkage (little change in shape when heated or cooled) and low cation-exchange capacity (ie very stable chemically). Source: <https://en.wikipedia.org/wiki/Kaolinite>.

Halloysite is an aluminosilicate clay mineral with the empirical formula $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$. Halloysite typically forms by hydrothermal alteration of aluminosilicate minerals. Halloysite is a rare form of kaolin where the mineral occurs in nanotubes, rather than the more typical flat sheets shown in Figure 8.

Source: <https://en.wikipedia.org/wiki/Halloysite>

Andromeda claim a number of applications where halloysite could find premium markets, including very high quality fine porcelain, and as inert replacement of carbon nanotubes in hydrogen storage, water purification, carbon capture, and soil remediation.

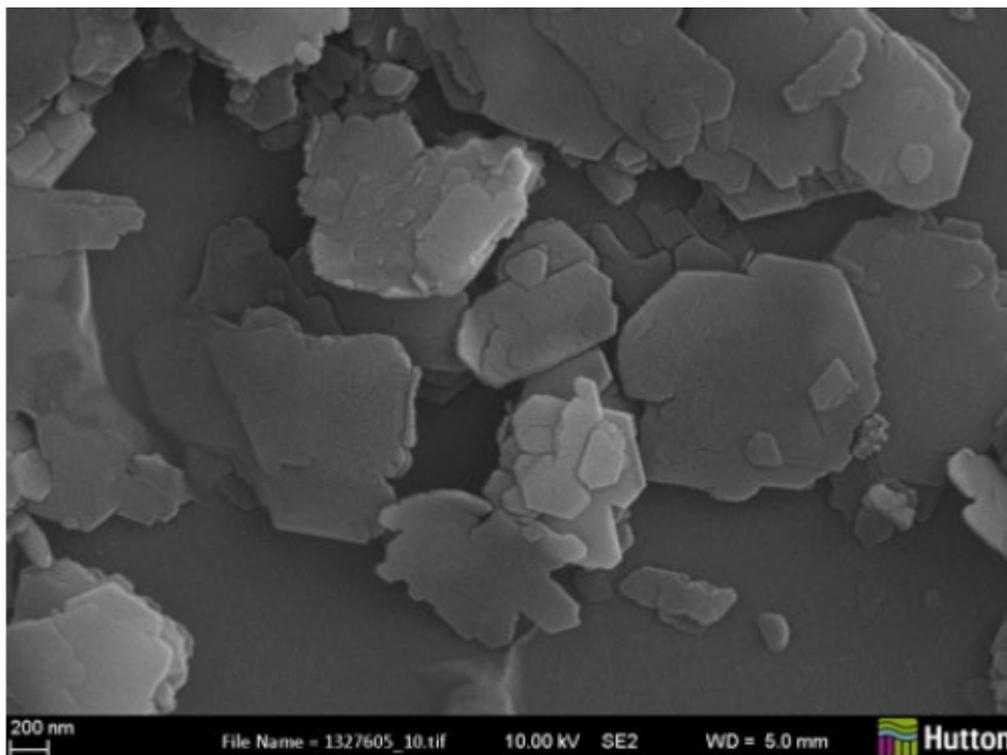
Alumina (aluminium oxide) is a chemical compound of aluminium and oxygen with the chemical formula Al_2O_3 . It is the most commonly occurring of several aluminium oxides. It occurs naturally in its crystalline polymorphic phase α - Al_2O_3 as the mineral corundum, varieties of which form the precious gemstones ruby and sapphire. Alumina is significant in its use to produce aluminium metal, as an abrasive owing to its hardness, and as a refractory material owing to its high melting point.

https://en.wikipedia.org/wiki/Aluminium_oxide

High Purity Alumina (HPA) is at least 99.9% Al_2O_3 , and is a low volume but very fast growing niche market supplying technical solutions to the electronics and battery markets.



FIGURE 8 ELECTRON MICROSCOPE IMAGE OF KAOLIN CRYSTALS (NOTE 200 NANOMETRE SCALE LOWER LEFT)



Source: Suvo Strategic Scoping Study 27 May 2021. 200 nanometres = 0.0002 millimetres.

A key property supplied by kaolin is whiteness. Objects look white when they reflect the full spectrum of visible light, and one way for that to happen is if particles are smaller than the wavelength of the visible spectrum, which is 400-700 nanometres. In the above figure, particles sizes range from 800nm to below 400nm. While there are other issues, size is a big factor in whiteness, hence the emphasis on particle size in kaolin specifications (“Particle size distribution of mining materials on whiteness” by Mathur and Ajmer <https://www.worldscientific.com/doi/pdf/10.1142/S2010194513010180>.)

Kaolin Market

FIGURE 9 PORTER INDUSTRY ANALYSIS FRAMEWORK



Source: <https://www.business-to-you.com/porters-five-forces/>



Bargaining power of buyers of kaolin products

In any commodity based market such as kaolin, the power of buyers is heavily influenced by demand growth rates, and the ability of suppliers to source resources. If the forecasts in Table 20 of over 4%pa annual growth are correct, then the buyers will generally be at a disadvantage. They will have to pay a price which includes a component to maintain continuing investment in new supply.

Individual customers are typically small and numerous, hence WA Kaolin generally deals with distributors. The consumers tend to be less aggregated than the raw materials suppliers, so suppliers are likely to have considerable bargaining power. Which they appear to use cautiously.

TABLE 20 GLOBAL KAOLIN MARKET HIGHLIGHTING STRONG FORECAST GROWTH OF OVER 4%PA

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Act	Act	Act	F'cast							
Global											
Revenue A\$M	4248	4630	4996	5426	5897	6394	6946	7552	8221	8957	9766
Volume Mt	28.3	29.4	30.6	31.9	33.2	34.6	36.1	37.7	39.4	41.2	43.1
Growth Rate	3.4%	4.0%	4.0%	4.1%	4.2%	4.3%	4.3%	4.4%	4.5%	4.5%	4.6%
Price US\$/t	150	157	163	170	178	185	192	200	209	217	227
Price by Region											
North America	151	160	160	165	170	171	174	177	180	183	187
Europe	165	173	183	192	202	212	223	234	246	259	272
Asia Pacific	137	143	148	156	163	171	178	187	195	204	213
CSA	148	154	161	169	176	184	193	202	211	220	231
MEA	155	162	170	177	186	194	203	212	222	232	243
Premium											
North America	15	17	12	9	7	1	-4	-10	-15	-21	-27
Europe	29	31	34	36	38	41	44	48	51	55	59
Asia Pacific	0	0	0	0	0	0	0	0	0	0	0
CSA	11	11	13	13	13	14	14	15	16	16	17
MEA	19	19	21	21	23	23	24	25	27	28	29

Source: DFS Part 3 p16

The industry is dominated by a number of large suppliers that are integrated into downstream activities as well as being raw material suppliers. Imerys, Quartzwerk, Sibelco, and BASF account for 26% of global production, and a much higher share of the higher priced applications. They are also the defacto price setters in the industry. As can be seen from the kaolin price history, their strategy is to maintain a stable price at a level that incentivises new production.

In the lower priced product range, and particularly in the Asia Pacific market that is WA Kaolin's target market initially, China and India are the largest suppliers. However, the region consumes around 40% of the world's kaolin and is probably a net importer from outside the region, so the marginal price is the cost of imported product, which would typically come from the USA.

There are also supply side issues including increases environmental regulation in China which is adding to production costs and in some cases closing production capacity.

Bargaining power of suppliers to the Kaolin producers

Western Australia has a well established industrial base built around supporting the mining and processing of raw materials, with a considerable level of competition. Since COVID 19, and the border closures, there has been a tightening in the supply of labour to the industry. However, this is not seen as likely to have a material impact on the Stage 1 project because of the small size of the project and the company's ability to transfer skilled staff from Kwinana if required. The dry process does not consume reagents that could be in short supply.



Threat of substitutes

In general, kaolin is the lower cost substitute that threatens other commodities because of its relatively low price. Kaolin is used in such a wide variety of industries that is not particularly vulnerable to competitive pressure emerging in any one industry. Kaolin is used in the manufacture of paper, ceramics, paint and coatings, fibreglass, rubber, plastic, pharmaceutical and medical products, and cosmetics. Almost all these items would be considered consumer goods, and therefore not exposed to the more volatile capital spending cycle.

Threat of New Entrants

WA Kaolin and the other proposed Australian projects are the new entrants and would have the potential to destabilise the market if they were big enough. However, each project is proposing to add around 200,000tpa to supply in a market that will be around 38Mtpa when that supply arrives, according to Table 20, so each project would amount to 0.5% increase in supply, or 1.5% combined. We do not see an issue with their initial production, other than limiting price growth for a year or so. Longer term, WA Kaolin's ambition to reach 1Mtpa of production is a different proposition, but one that the company has a vested interest in managing properly.

Products within the global kaolin market

TABLE 21 PROCESSING OF KAOLIN AND TARGET MARKETS BY PROCESS (AIR FLOAT = DRY PROCESS AS USED BY WA KAOLIN)

	Share of Demand	Use
Water Washed Clay	40%	Filler for rubber plastics inks and coatings
Air Float Kaolin	15%	Refractories, fibreglass, cement, catalysts, filler for rubber, ceramics, roofing, caulks, adhesives, sealants, paints, paper
Calcined Kaolin	20%	Refractories, permeable ceramics, wire and cable sheathing, printing paper
Meta Kaolin, Other	25%	Increasing chemical durability of concrete

Source: WAK prospectus 24 November 2020 pp51-2

WA Kaolin has a number of products, some of which are shown in the table below. K99F is the fibreglass product. K99P is for paper applications. K99C-45 is for ceramics, and K99S is for general use.

TABLE 22 WA KAOLIN PRODUCT SPECIFICATIONS VS ANDROMEDA AND OTHER EXISTING PRODUCTS

	WAK K99F	WAK K99P	WAK K99S	WAK K99C45	AND PW90	Existing Product				
						China 1	China 2	Europe 1	Europe 2	Europe 3
Brightness (ISO)	>80	87	>80	>90	90	80	80	80	87	85
Chemical Analysis										
SiO₂	47.0%	47.5%	47.5%	47.0%	45.3%	49.3%	48.0%	52.0%	48.0%	48.0%
Al₂O₃	39.0%	37.5%	37.5%	39.0%	38.0%	35.3%	36.0%	34.0%	37.0%	36.5%
Fe₂O₃	0.20%	0.60%		0.20%	0.35%	0.30%	0.30%	0.43%	0.47%	0.68%
TiO₂	0.25%	0.50%		0.25%	0.03%	0.03%	0.02%	0.17%	0.01%	0.02%
MgO		0.20%			0.17%	0.27%	0.04%	0.26%	0.25%	0.30%
Na₂O					0.38%	0.08%	0.24%	0.01%	0.15%	0.10%
K₂O	0.30%	1.60%		0.25%	0.14%	2.36%	1.20%	0.30%	1.20%	1.65%
Minerology										
Halloysite					20.0%	30.0%			10.0%	
Kaolinite					80.0%	70.0%	90.0%	80.0%	67.0%	80.0%
Moisture	1.0%	1.0%	1.0%	1.0%						
Particle Size										
>45 micron	1.0%	1.0%	1.0%	1.0%						
<2 micron		55.0%		45.0%	90.0%	80.0%	80.0%	82.0%	85.0%	70.0%
<1 micron					78.0%	50.0%	60.0%	50.0%	70.0%	60.0%

Sources: Andromeda PFS Table 6 p26, Suvo Presentation June 2020, <https://www.choko.asia/kaolin.html>



Capital and Debt Structure

Capital Structure

There is a fairly tight share register in that 43.6% of the shares on issue and 25.3% of any shares resulting from the exercise of options are escrowed and cannot be traded until at least the 26 November 2022. Most of these shares and options are held by management and directors. The consequences of these escrow arrangements are that:

1. the directors and managements financial interests are strongly aligned with those of the other shareholders,
2. the shares available for trading will be relatively tight until after 26 November 2022, so buying interest will tend to have a positive impact on the company's share price, and
3. the bulk of the debt comes from Scientific Management and WAMCO (A\$22.6M), which are also major shareholders, and so are likely to be more aligned with shareholders in the event of any cash flow difficulties.

Debt

The table below is the debt schedule from the prospectus. However, at 31 December 2020, the debt on the balance sheet was A\$0.85M current and A\$18.3M non-current for a total of A\$19.1M.

The cash value of the debt or the amount of principal that must be repaid is estimated to be A\$23M at December 2020 and June 2021. However, the company's auditors have required that the debt is marked to market, to reflect the fact that most of it is loaned at zero interest, hence the A\$19.1M book value.

We have included the unwinding of the discount in our earnings estimates.

TABLE 23 LENDERS INTEREST RATES AND REPAYMENT SCHEDULE – MOST REPAYMENTS ARE BACK ENDED TO 2024 OR LATER

Loans	Rate	Expiry	Principal		Repayments on Anniversary			
			Drawn A\$M	Paid FY21	2nd	3rd	4nd	5nd
Pacific Polymers	0.0%	30-Jun-27	2.002	1.076	0.250	0.061	0.689	
Nathan Allbut	6.0%	31-Dec-20	0.050	0.051				
Scientific Management Assoc (Operations) P/L	6.0%	30-Jun-27	8.438	0.300			8.000	
WAMCO Industries Group	0.0%	30-Jun-27	0.894	0.100			0.500	
WAMCO Industries P/L	0.0%	30-Jun-27	1.512	0.150	0.250	0.610	0.839	
Scientific Management Associated (Victoria) P/L	0.0%	30-Jun-28	13.282	1.242			4.635	7.405
Boneyard			1.008	1.008				
Total at 30 June 2020			27.186	3.927	0.500	0.671	14.663	7.405

Source: WAK Prospectus 24 November 2020, sections 11.7 and 11.8.

The debt is unsecured, and while the debt must be repaid if there is a default, the Prospectus (p201) makes specific mention that it is not a default if the directors decide not to pay a relevant instalment due to lack of free cash flow. This reinforces the view that the terms of this related party debt are favourable to the company and the interests of the debt providers are largely aligned with those of the shareholders.

The only remaining debt attracting interest at June 2021 is the A\$8.4M from Scientific Management.

The Boneyard debt was converted into a convertible note, then into shares and options.

Equity

TABLE 24 CONTINGENT CAPITAL WITH OPTIONS AND PERFORMANCE SHARES AMOUNTING TO 40% OF DILITED CAPITAL

	Shares	Performance Shares	Options	Total
Escrowed Board & Management	107.2	27.5	32.4	167.1
Other Escrowed Parties	16.1		10.0	26.1
Total Escrowed (Table 25)	123.3	27.5	42.4	193.2
Issued in IPO (not Escrowed)	110.0		53.1	163.1
Conversion of C-Notes	47.8		71.7	119.6
Other	1.7		0.0	1.7
Total	282.8	27.5	167.2	477.6
Escrowed	43.6%	100.0%	25.3%	40.5%

Source: Prospectus 24 November 2020 p30, p32

The table above differs from the summary numbers in the prospectus because the options from the IPO option issue owned by Cathy Moises are deducted from the “Issued in IPO (Not Escrowed)” and included under “Escrowed Board & Management”.

The company had issued convertible notes in 2020 as an interim funding step, which were converted into shares and options before 31 December 2020.

TABLE 25 ESCROWED SHARES, OPTIONS, AND PERFORMANCE SHARES

Type of Security	Shares M			Performance Shares M	Options M
	26-Nov-22	26-Nov-25	Total	26-Nov-22	26-Nov-22
Escrowed to					
Alfred Baker	12.471	37.413	49.884	13.200	13.200
Keith Snell (Deceased)	12.471	37.413	49.884	13.200	7.200
Cathy Moises	1.250		1.250		3.375
Andrew Sorensen	6.188		6.188	1.100	2.100
James & Catherine Woulfe (Debhulbh Family)	5.366		5.366		
Paul Lowry, Kim Watson (Lowry Family)	5.366		5.366		
Stephen Rice (Rice Family Trust)	5.366		5.366		
Exhibition Plus					
John White					3.000
Linton Putland					1.500
Michael Kenyon					1.000
Nathan Allbut					1.000
Canaccord and JP Equities					10.000
Total	48.479	74.825	123.304	27.500	42.375

Source: Prospectus p38, p210-211.

Any shares arising from the award or exercise of any Performance Shares or options will be subject to the same escrow conditions as was the original instrument.

TABLE 26 OPTION EXERCISE AND EXPIRY DETAILS

Options Structure	Exercise Price A\$/sh	Expiry Date	Issued M	Funds Raised A\$M
IPO Options	0.25	20-Nov-23	55.00	13.75
Options for C-notes	0.25	20-Nov-23	71.73	17.93
Incentive	0.35	20-Nov-25	30.50	10.68
Lead Manager Tr1	0.25	24-Nov-23	5.00	1.25
Lead Manager Tr2	0.35	24-Nov-24	5.00	1.75
Total			167.23	45.36

Source: WAK Prospectus 24 November 2020 p30, p233, p234,

The options in respect of the IPO and the conversion of the convertible notes vest 12 months after the issue date or 20 November 2021. That is, they cannot be traded or converted into shares until then.

TABLE 27 TOP 26 SHAREHOLDERS ACCOUNT FOR 69.4% OF THE REGISTER

As at 20 November 2020,	Holding	%
SILVER TROPIC PTY LTD -WAMCO INDUSTRIES UNIT A/C	49.88	17.6%
SCIENTIFIC MGT ASSOC. (VIC) PTY LTD -WAMCO INDUSTRIES UNIT A/C	48.84	17.3%
MR KENNETH HALL -ALL	16.35	5.8%
CENTURY HORSE LIMITED	9.38	3.3%
BONEYARD INVESTMENTS PTY LTD	9.38	3.3%
CS THIRD NOMS PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8.55	3.0%
MR HAN SWEE TAN	6.18	2.2%
STEPHEN RICE <A/C THE RICE FAMILY TRUST>	5.37	1.9%
J WOULFE & C M WOULFE <THE DEBHULBH FAMILY A/C>	5.37	1.9%
PAUL LOWRY & KIM WATSON <THE PAUL LOWRY FAMILY A/C>	5.37	1.9%
ANDREW BRIAN SORENSEN <WAMCO INDUSTRIES UNIT A/C>	4.16	1.5%
MR BENG GIM TAN	3.50	1.2%
TYNONG PASTORAL CO PTY LTD <TYNONG PASTORAL A/C>	2.50	0.9%
ANDREW SORENSEN HOLDINGS <SORENSEN FAMILY S/F A/C >	2.03	0.7%
MS LAY HOON LEE	2.00	0.7%
ABN AMRO CLEARING SYDNEY NOMS PTY LTD <CUSTODIAN A/C>	2.00	0.7%
G & N LORD SUPERANNUATION PTY LTD <GMR SUPER FUND A/C>	1.75	0.6%
T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	1.69	0.6%
JASPER HILL RESOURCES PTY LTD <SUPERANNUATION ACCOUNT>	1.63	0.6%
MRS LAY HOON LEE	1.63	0.6%
MR K BIDDICK & MRS C BIDDICK <CONQUEST SPORTS PL A/C>	1.63	0.6%
EXHIBITIONS PLUS PTY LTD <YARINGA LODGE UNIT A/C>	1.52	0.5%
MR SHANE TIMOTHY BALL <THE BALL A/C>	1.50	0.5%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1.50	0.5%
NATHAN ALLBUT	1.28	0.5%
PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C>	1.28	0.5%
TOTALS	196.12	69.4%
TOTAL ISSUED CAPITAL	282.82	100.0%

Source: WAK release 20 November 2020

Board and Management

John White Non-Executive Chairman

John has been a director and/or CEO of several publicly listed and private Australian companies. John is formerly the Chairman of the Federal Government's Uranium Industry Framework Council, a member of the Federal Government's Defence Procurement Board and Director of the Defence SA Advisory Board.

John had extensive involvement with Woodside's North West Shelf Offshore Gas and LNG Development from 1978 to 1984, and then participated in the RAN Collins Class Submarine Project tender as Project Director for the Australian-German owned AMEC proposal.

John was CEO of Transfield Defence Systems Pty Ltd from 1988 to 1996 and then Global Chief Executive of the recycling/packaging group, Visy Industries. John is currently Chairman of Regenerative Australian Farmers Pty Ltd and Birdon Ltd.

Andrew Sorensen Chief Executive Officer

Andrew joined WA Kaolin in 2006 and has more than 30 years' experience in operations management across a broad range of industries. He has a Bachelor's degree in Applied Science (Information Management) and a Master's of Business Administration.

Prior to joining WA Kaolin Andrew held various senior leadership positions including General Manager CMTP Pty Ltd Derrimut, Vice President / General Manager (Asia Pacific) for Potters Industries Inc. and Manufacturing Manager for PQ Australia Pty Ltd.



Andrew is responsible for considering and deciding on key strategic, business and operational matters. He oversees the operational team, guiding continuous improvement of the WA Kaolin project. He is also responsible for driving standards in health, safety, security, environment, IT and procurement.

Alf Baker Executive Director

Alf has an engineering background with more than 40 years' experience in process technology and is co-founder of WA Kaolin. He is an experienced and successful businessman, authoring several patents and designs during his extensive career.

Since 1996, Alf has founded and directed a number of companies, including:

- EMC Pacific Aust P/L (EMCPA), Australia's only manufacturer of power distribution insulators, commencing manufacture of its products in USA, from April 2020.
- Pacific Polymers, a mineral treatment plant operating in Dandenong, Victoria.

Alf was Managing Director of the highly successful PQ Australia (PQA) from 1976 to 1996, which he co-founded with his brother. PQA produces the inorganic chemical, Sodium Silicate, in both glass and liquid form, and the patented valuable downstream product 'Q-Cel' hollow microspheres.

In all cases, innovation, hands on determination and training of younger executives have led to success and low-cost producer status.

Cathy Moises Non Executive Director

Cathy has worked for a number of the most prominent Stock broking firms within Australia including Merrill Lynch, Citigroup, Evans and Partners (as a partner) and most recently worked as Head of Research for Patersons Securities.

Cathy has a Bachelor of Science (Hons) Geology in addition to a Securities Institute of Australia Diploma of Finance and Investment and has over 30 years experience working within the resources industry primarily as a financial analyst. She has extensive capital markets, company management, financial analysis and Institutional Investor engagement experience.

Cathy currently serves as Non-Executive Chair of PacGold Limited and Non-Executive Director for Arafura Resources Limited, Australian Potash Limited and Podium Minerals Limited.

Linton Putland Non Executive Director

Linton holds degrees in Mining Engineering (Bachelor of Engineering, Western Australian School of Mines) and a Masters in Science (Mineral Economics, Western Australian School of Mines) with more than 30 years' experience in mining operations, joint ventures and corporate management in Australia, Africa and the Americas, over a wide range of commodities.

Linton is principal of LJ Putland & Associates, a private mining consultancy company which was founded in 2002, providing advisory and consultancy services in mining project and company evaluation and due diligence appraisals with a focus on corporate growth. During this period, he has also been Managing Director of a privately-owned exploration company with joint venture interests in Africa.

Prior to this he held corporate and senior management roles in IAMGOLD, Aurion Gold, Delta Gold and Pancontinental Mining. He is a Member of AusIMM and a Graduate Member of AICD.

Michael Kenyon Company Secretary

Michael has held senior roles with both private and ASX-listed corporations over the past 23 years. He holds a Bachelor of Business degree from Edith Cowan University, is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.



He commenced his finance career with roles at then 'Big 6' professional services firms, Ernst & Whinney and Price Waterhouse before joining diversified industrial company, Vysarn Pty Ltd in 1997 as Chief Financial Officer.

Since that time, Michael has held CFO roles with ASX-listed Forge Group Ltd, Matrix Composites and Engineering Ltd and Pacific Energy Ltd and is currently CFO for Resource Development Group Ltd. He is also a non-executive director with a small ASX-listed company and a leading Catholic aged care, family, health, disability and community services provider in Perth, Western Australia.



Analyst Verification

I, **Michael Harrowell**, as the Research Analyst, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

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We acknowledge that Senior Resource Analyst, **Michael Harrowell**, holds no shares in **WA Kaolin Limited**.

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