

3 August 2023

WA Kaolin and Stanco International Corp. expand existing offtake agreement and execute A\$7.7m equity investment at substantial price premium

Highlights

- Existing offtake agreement with WA Kaolin’s major offtake partner, Stanco International Corp. (“**Stanco**”), expanded to target additional markets in the Asia-Pacific region
- Stanco to increase its WAK equity position to 15% via undertaking a A\$7.7m placement at a 26% premium to the last closing price and a 23.5% premium to the 10-day VWAP
- Stanco has been in operation for 38 years and is a leading raw materials distribution company in the Asia Pacific region

WA Kaolin Ltd (“**WA Kaolin**” or the “**Company**”) (**ASX: WAK**) is pleased to announce an expansion of its existing offtake and an equity investment with Stanco, a leading raw materials distribution company in the Asia Pacific region, to become a major shareholder of WA Kaolin.

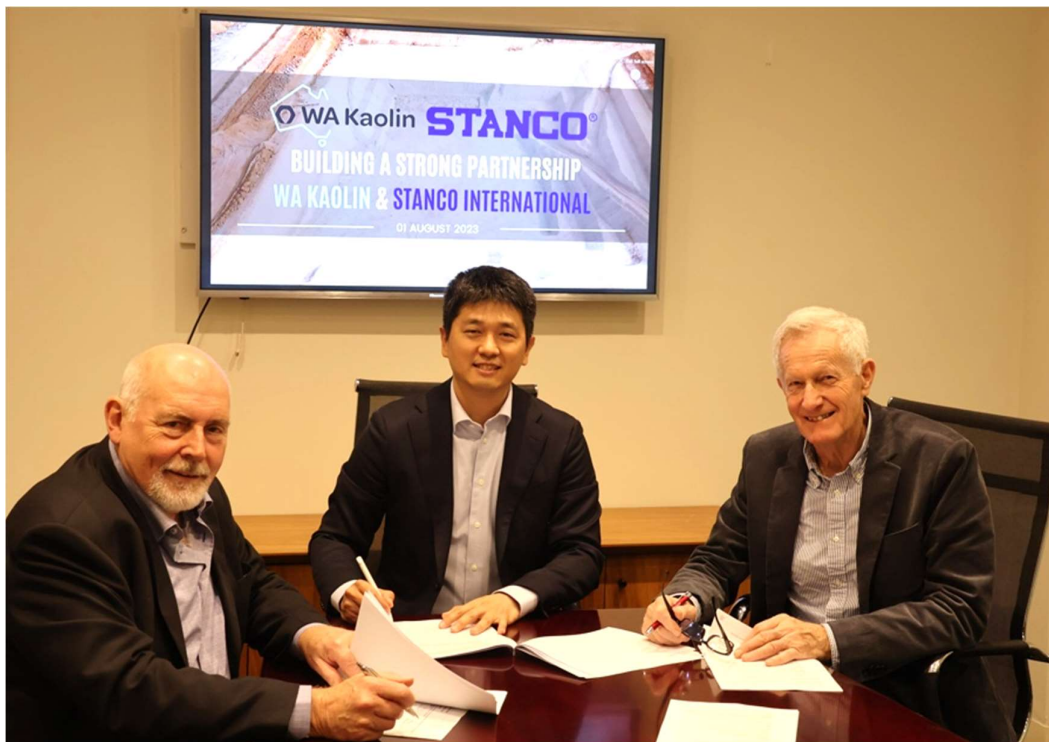


Figure 1: Alf Baker (WAK Executive Director), Sean Hu (Stanco CEO) and Dr John White (WAK Chair)

Key Highlights of the Agreement

Subscription Agreement: Stanco will, subject to Company shareholder/FIRB approval (if required), subscribe for and be issued with 45,525,951 fully paid ordinary shares of WA Kaolin at an issue price of \$0.17 per share, for a total investment of \$7,739,411. This transaction will result in Stanco holding a 15% stake in WA Kaolin.

The issue price of \$0.17 per share represents a 26% premium to the last traded price of WA Kaolin and a 23.5% premium to the 10-day VWAP.

Subscription Tranches: An initial subscription for 11,764,706 shares for \$2,000,000 will be paid up front as part of agreement in mid-August 2023, followed by five monthly tranches of 5,882,353 shares for \$1,000,000 each. The final tranche of 4,349,480 shares for \$739,411.67 is scheduled for February 2024. Shares are being issued under the Company's placement capacity pursuant to Listing Rules 7.1 and 7.1A (18,405,392 shares and 27,120,559 shares, respectively). An Appendix 3B "Announcement of Proposed Issue of Securities" follows.

Voluntary Escrow Deed: Stanco International has voluntarily entered into an escrow deed, binding them to hold their WA Kaolin subscription Shares for a period of 36 months from the date of their subscriptions.

Board Seat: Stanco will be entitled to nominate a member to the Board of WA Kaolin on completion of the subscription, subject to Stanco maintaining a minimum 15% equity position in the Company.

Existing Offtake Agreement: As documented in the Company's Prospectus in late 2020, the Company had formalised an offtake agreement with Stanco in May 2020 for the supply of 338,000 tonnes of kaolin over a six-year period. Stanco's investment bolsters their determination to exceed the existing offtake/distribution agreement volumes by targeting additional strategic markets within the Asia-Pacific region.

CEO of WA Kaolin, Andrew Sorensen, commented: *"We are delighted to welcome Stanco as a major shareholder of WA Kaolin following execution of this subscription agreement. We've had a supportive relationship with Stanco, our largest offtake partner, and this agreement signifies our shared vision of building WAK into becoming a leading kaolin supplier into the Asian market."*

CEO of Stanco International Corp., Sean Hu, said: *"The strategic partnership with WA Kaolin is a significant step for Stanco to generate future growth opportunities in various kaolin-related industries. This key investment strengthens our portfolio of kaolin products and at the same time diversifies the supply chain risk. We are confident the collaboration will be a win-win for both companies and our valued customers."*



Figure 2: Andrew Sorensen (WAK CEO) and Sean Hu (Stanco CEO) with the WA Kaolin Board

About Stanco International Corp.

Stanco International Corp. is a renowned distributor of premium quality raw minerals with a strong presence in the fibreglass, glassware, ceramic, papermaking, electric wire and cable, and iron and steel industries across the Asia Pacific region. The company's corporate headquarters are in Taipei, Taiwan, with a head office in Shanghai, China, and local offices in HCMC, Vietnam, and several other countries. Stanco boasts an extensive distribution network, including local warehouses in China, Taiwan, Vietnam, and other APAC countries, ensuring efficient service to its valued customers.

The partnership between WA Kaolin and Stanco is built on a long-standing relationship, with Stanco being the largest off taker for WA Kaolin. This agreement not only deepens the collaboration but also reflects a shared vision of fostering a strong and prosperous partnership.

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

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Project Background

WA Kaolin holds the Wickepin Kaolin Project, 220km south-east of Perth, a Mineral Resource (JORC 2012) of 644.5 million tonnes^{1,2}, including an Ore Reserve Estimate of 30.5 million tonnes of kaolinised granite. The Wickepin Project produces kaolin products for tier one customers and the Company aims to expand its production to 400,000tpa in a two-stage strategy.

WA Kaolin has a two-stage ramp up strategy. Stage 1 will see the production rate optimised up to 200,000tpa followed by the second stage which will expand production to 400,000 tpa.

The Company acquired the Wickepin Project in 1999 from Rio Tinto which, through exploration, had discovered and drilled out a Mineral Resource and commissioned engineering and feasibility studies. The acquisition included the tenements covered by the Wickepin Project and all associated engineering and feasibility studies.

Since then and prior to the Company's IPO in November 2020, WA Kaolin co-founders and owners invested over \$42 million to develop and progress the Wickepin Project. Through extensive R&D of product and processes, the Company has spent significant time and funds in optimising its proprietary dry processing method for kaolin ("K99 Process") to build and extend on its success as a kaolin producer and exporter to global markets.

The project comprises a mining lease, a general-purpose lease, a miscellaneous licence and retention licences. It is one of the largest known remaining kaolin resources in the world, and contains:

- A **Probable Ore Reserve of 30.5 million tonnes** (Table 1) in the mining lease which is part of and included in;
- An **Inferred Mineral Resource (reported in 2017) of 644.5 million tonnes** (Table 2) of high-grade premium kaolinised granite across all tenements.

¹ The Mineral Resource estimate is inclusive of Ore Reserves

² CSA Global Mineral Resource Estimate R280.2017

Table 1. Ore Reserves by JORC Classification

JORC classification	Tonnes (Mt)	ISO brightness (%)	Yield (%) ($<45 \mu\text{m}$ in size)	In situ Kaolin (Mt)
Proved				
Probable	30.5	83.7	51.8	15.8
Total	30.5	83.7	51.8	15.8

Source: CSA Global Report No. R301.2020 – 30th July 2020

Table 2. Inferred Mineral Resources ($<45 \mu\text{m}$), WA Kaolin Project

	Kaolinized granite (Mt)	ISO brightness (%)	Yield (%)	Kaolin (Mt)
Total	644.5	75.8	44.0	283.6

Source: CSA Global Report No. R280.2017 – 3rd August 2017

Estimates and production targets

The Mineral Resources, Ore Reserves and production targets referred to in this announcement were previously reported in the Prospectus dated 11 October 2020 and released to the ASX on 24 November 2020 and the Definitive Feasibility Study announcements released on 24 and 25 November 2020. WA Kaolin confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all material assumptions and technical parameters underpinning the estimates, production target or forecast financial information derived from a production target continue to apply and have not materially changed.

Forward Looking Statements

This ASX announcement may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on WAK's current expectations, estimates and assumptions about the industry in which WAK operates, and beliefs and assumptions regarding WAK's future performance. Any forward-looking statements, that are inconsistent with previous forward-looking statements made by the Company supersede those previous statements or prevail to the extent of any inconsistency. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of WAK. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law, WAK does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based.