



**Suvo Strategic Minerals Limited
ACN 140 316 463**

Notice of General Meeting

The General Meeting of the Company will be held at Plaza Ballroom 3, Hyatt Regency, 99 Adelaide Terrace, Perth, Western Australia on Wednesday, 23 December 2020 at 10:00am (WST).

THE COMPANY IS TAKING PRECAUTIONS TO FACILITATE AN IN-PERSON MEETING IN ACCORDANCE WITH COVID-19 RESTRICTIONS. IF THE SITUATION IN RELATION TO COVID-19 CHANGES IN A WAY AFFECTING THE ABILITY TO FACILITATE AN IN-PERSON MEETING, THE COMPANY WILL PROVIDE AN UPDATE AHEAD OF THE MEETING BY WAY OF AN ASX ANNOUNCEMENT.

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their suitably qualified professional adviser prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Company on (08) 9389 4495.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

Suvo Strategic Minerals Limited
ACN 140 316 463
(Company)

Notice of General Meeting

Notice is hereby given that a general meeting of Shareholders of Suvo Strategic Minerals Limited (**Company**) will be held at Plaza Ballroom 3, Hyatt Regency, 99 Adelaide Terrace, Perth, Western Australia on Wednesday, 23 December 2020 at 10:00am (WST) (**Meeting**).

The Board is closely monitoring the rapidly changing coronavirus (COVID-19) pandemic. The health of the Company's Shareholders, employees and other stakeholders is of paramount importance.

While the Board would like to host all Shareholders in person, in order to minimise the risk to Shareholders and to the Company and its ongoing operations, the Company suggests that Shareholders do not attend the Meeting in person. Accordingly, the Directors strongly encourage all Shareholders to lodge Proxy Forms prior to the Meeting.

The Board will continue to monitor Australian Government restrictions on public gatherings. If it becomes necessary or appropriate to make alternative arrangements to those set out in this Notice, the Company will notify Shareholders accordingly via the Company's website at www.suvo.com.au and the ASX announcement platform.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on Monday, 21 December 2020.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form, form part of the Notice.

Terms and abbreviations used in the Notice are defined in Schedule 1.

Agenda

1 Resolutions

Resolution 1 – Approval to issue Capital Raising Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to the other Transaction Resolution being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 60,000,000 Capital Raising Shares on the terms and conditions in the Explanatory Memorandum'.

Resolution 2 – Approval of proposed change to nature or scale of activities of the Company

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to the other Transaction Resolution being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the nature and scale of the Company's activities resulting from the Transaction on the terms and conditions in the Explanatory Memorandum.'

Resolution 3 – Approval to issue Advisor Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to the other Transaction Resolution being passed, the issue of up to 12,000,000 Advisor Options to the Co-Lead Managers (or their nominees) is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'

Voting exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

- (a) Resolution 1 by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of the Capital Raising Shares (except a benefit solely by reason of being a Shareholder) or any of their respective associates;
- (b) Resolution 2 by or on behalf of a counterparty to the Acquisition that, of itself or together with one or more other transactions, will result in a significant change to the nature or scale of the Company's activities and any other person who will obtain a material benefit as a result of the Acquisition (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of those persons; and
- (c) Resolution 3 by or on behalf of the Lead Manager, Co-Lead Managers (or their nominees) and any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of the Advisor Options (except a benefit solely by reason of being a Shareholder) or any of their respective associates.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to read 'J. Stedwell', is positioned above the printed name.

Justyn Stedwell

Company Secretary

Suvo Strategic Minerals Limited

Dated: 24 November 2020

Suvo Strategic Minerals Limited
ACN 140 316 463
(Company)

Explanatory Memorandum

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Plaza Ballroom 3, Hyatt Regency, 99 Adelaide Terrace, Perth, Western Australia on Wednesday, 23 December 2020 at 10:00am (WST) (**Meeting**).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Voting and attendance information
Section 3	Conditional Transaction Resolutions
Section 4	Background to the Transaction
Section 5	Resolution 1 – Approval to issue Capital Raising Shares
Section 6	Resolution 2 – Approval of proposed change to nature or scale of activities of the Company
Section 7	Resolution 3 – Approval to issue Advisor Options
Schedule 1	Definitions
Schedule 2	Consolidated audited financial statements for Mircal Australia for the year ending 31 December 2019
Schedule 3	Unaudited year to date financial information for Mircal Australia for the period 1 January 2020 to 30 September 2020
Schedule 4	Pro-forma balance sheet of the Company
Schedule 5	Summary of key risks
Schedule 6	Advisor Options

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Voting and attendance information

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Impact of COVID-19 on the Meeting

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19.

Based on the best information available to the Board at the time of the Notice, the Board considers it will be in a position to hold an 'in-person' meeting to provide Shareholders with a reasonable opportunity to participate in and vote at the Meeting, while complying with the COVID-19 restrictions regarding gatherings. The Company, however, strongly encourages Shareholders to submit proxies prior to the Meeting.

If the situation in relation to COVID-19 were to change in a way that affected the position above, the Company will provide a further update ahead of the Meeting by releasing an ASX announcement.

2.2 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.3 Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

- (iii) if the proxy is the Chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Section 250BC of the Corporations Act provides that, if:

- (iv) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (v) the appointed proxy is not the chair of the meeting;
- (vi) at the meeting, a poll is duly demanded on the resolution; and
- (vii) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2.4 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

2.5 Submitting questions

Shareholders may submit questions in advance of the Meeting to the Company. Questions must be submitted by emailing the Company Secretary at info@suvo.com.au by Monday 21 December 2020.

Shareholders will also have the opportunity to submit questions during the Meeting in respect to the formal items of business. In order to ask a question during the Meeting, please follow the instructions from the Chair.

The Chair will attempt to respond to the questions during the Meeting. The Chair will request prior to a Shareholder asking a question that they identify themselves (including the entity name of their shareholding and the number of Shares they hold).

3. Conditional Transaction Resolutions

The Transaction Resolutions (Resolution 1 and Resolution 2 inclusive) (**Transaction Resolutions**) are inter-conditional, meaning that both of them will only take effect if the other is approved by the requisite majority of Shareholders' votes at the Meeting. If either of the Transaction Resolutions is not approved at the Meeting, neither of the Transaction Resolutions will take effect and the Transaction and matters contemplated by the Transaction Resolutions will not be completed.

Resolution 3 is not a Transaction Resolution, meaning if Shareholders do not approve the issue of the Advisor Options, the Transaction may still proceed. Resolution 3 is however, subject to the Transaction Resolutions being approved. In the event that Shareholders do not approve either or both of the Transaction Resolutions, Resolution 3 will not take effect.

4. Background to the Transaction

4.1 Existing Activities of the Company

The Company is a public company that was admitted to quotation of the Official List of ASX from 17 May 2011. The Company's primary activity is the exploration and development of its:

- (a) White Knight Kaolin Project; and
- (b) Nova Silica Sand Project.

(together, the **Existing Projects**).

On 25 June 2020, the Company lodged a replacement prospectus to raise up to \$5,000,000 (before costs) (**Prospectus**) to fund, among other things, the exploration and development of the Existing Projects. The Company remains committed to expending the funds as set out in the Prospectus and exploring and developing the Existing Projects.

The Company's Board comprises of Messrs Aaron Banks, Robert Martin, Leonard Troncone and Dr Ian Wilson.

4.2 Listing Rule 11.1.2

On 23 November 2020, the Company announced that it has entered into a binding share purchase agreement (**Acquisition Agreement**) to acquire 100% of the issued capital of Mircal Australia Pty Ltd (**Mircal Australia**) and its subsidiaries (excluding Australian Vermiculite Industries Pty Ltd) (**Target Group**) from Mircal (**Vendor**) (**Acquisition**), which is part of the Imerys S.A. group, a French multinational company with a market capitalisation of around €2.2 billion (**Imerys**).

ASX has determined the Acquisition and associated capital raising (**Transaction**) comprises a significant change in the nature and scale of the Company's activities that:

- (a) requires the Company to seek Shareholder approval pursuant to Listing Rule 11.1.2; and
- (b) does not require the Company to re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3.

Resolution 2 seeks Shareholder approval for a change in the nature and scale of the activities of the Company pursuant to Listing Rule 11.1.2.

This Notice, amongst other things, sets out the resolutions necessary to complete the Transaction.

4.3 Summary of the key terms of the Transaction

(a) Background

The Target Group was placed for sale following Imerys' decision to divest its kaolin operations located in Pittong, Victoria in Australia because of limited synergies with other Imerys' businesses. Imerys is a French multinational company and the world's leading supplier of specialty industrial minerals.

(b) **Consideration**

In consideration for the Acquisition, the Company intends to pay \$2,000,000 cash (which will be subject to standard adjustment mechanisms) to the Vendor at completion.

The Company also intends to allocate \$1,850,000 to replace existing environmental Rehabilitation Bonds given in respect of the Mining Licences.

(c) **Condition Precedent**

The Acquisition Agreement is subject to the Company obtaining Shareholder approval in respect of:

- (i) Listing Rule 7.1 to raise not less than \$3,000,000 (before costs) through the issue of the Capital Raising Shares pursuant to Resolution 1; and
- (ii) Listing Rule 11.1.2 to seek approval for the Transaction, pursuant to Resolution 2.

(d) **Capital Raising**

To fund the Acquisition the Company intends to raise up to \$6,000,000 (before costs) through the issue of up to 60,000,000 Shares pursuant to Resolution 1.

(e) **Use of funds**

As announced on 23 November 2020, the Company has received firm commitments to raise \$6,000,000 (before costs). The Company's proposed use of funds for the Capital Raising, to be spent on the Acquisition, is as follows:

Description	Amount (\$)
Purchase price	2,000,000
Stamp duty	110,000
Mining leases bonds	1,850,000
Immediate capital expenditure	700,000
Working Capital	640,000
Further evaluation and feasibility work	200,000
Cost of capital raising at 6%	360,000
Legal, accounting, engineering costs	140,000
Total	6,000,000

The above proposed use of funds is based on the current intentions of the Company, is indicative only and is subject to change.

4.4 Proposed Capital Structure

The impact on the Company's capital structure is set out below:

Capital Structure	Shares	Options	Performance Rights ²
Existing	525,568,245	107,033,573 ¹	40,000,000
Capital Raising	60,000,000	12,000,000 ³	0
TOTAL	585,568,245	119,033,573	40,000,000

Notes:

- 107,033,573 unquoted Options, comprising:
 - 101,866,903 exercisable at \$0.03 and expiring on 30 July 2023; and
 - 5,166,70 exercisable at \$0.08 and expiring on 4 September 2022.
- On the terms and conditions as defined in the Prospectus.
- Up to 12,000,000 unquoted Advisor Options with an exercise price of \$0.15 and an expiry date 3 years from the date of issue will be issued to the Co-Lead Managers.

4.5 Overview of Vendor and Transaction

(a) The Vendor and Mircal Australia

Mircal Australia is 100% owned by Mircal (**Vendor**). The Vendor is a French holding company of the Imerys Group and is itself 100% ultimately owned by Imerys S.A., the group head company (**Imerys**).

Imerys is a French multinational company and the world's leading supplier of specialty industrial minerals. It offers high value-added solutions to a wide range of industries, ranging from process manufacturing to consumer goods. Imerys is headquartered in Paris and is listed on Euronext Paris (with a market capitalisation of approximately €2.2 billion).

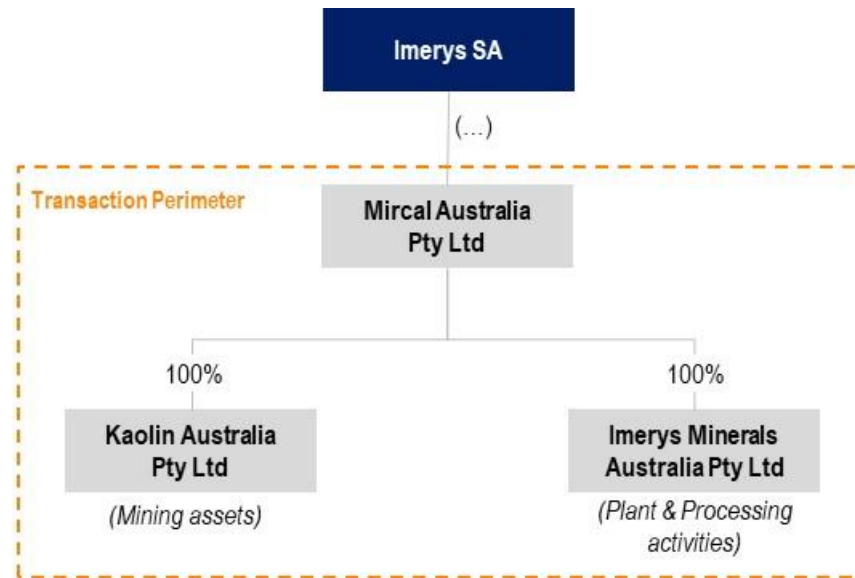
For the 2019 calendar year, Imerys had:

- sales in 142 countries;
- over 1,500 customers;
- 16,300 employees;
- revenue of €4.4 billion; and
- EBITDA of €765 million.

Further information on Imerys can be found at: www.imerys.com

The Target Group (excluding Australian Vermiculite Industries Pty Ltd, a dormant company) was placed for sale following Imerys' decision to divest its Kaolin operations located in Pittong, Victoria in Australia because of limited synergies with other Imerys' businesses. The proposed sale is for 100% of the shares of Mircal Australia, the holding entity, which fully owns Kaolin Australia Pty Ltd and Imerys Minerals Australia Pty Ltd,

the two operating entities of Imerys' kaolin mining and processing operations in Australia.



(b) **Overview of the Assets**

Pittong is the sole kaolin processing plant and mine in Australia.

The Assets comprise:

- (i) **Pittong Plant:** which has a throughput capacity of up to 35-40 ktpa of a range of kaolin products for the paper, paper & board and specialty minerals markets. Current mine feed is supplied from Pittong & Lal Lal Mines.
- (ii) **Pittong Mine:** an operating mine producing in the order of 90% of plant feedstock.
- (iii) **Lal Lal Mine:** an operating mine producing limited feedstock for specific product applications.
- (iv) **Trawalla Mine:** a greenfield mine site.

(together, the **Assets**).

Mining operations and haulage to plant services are undertaken by a local mining contractor. The mining contractor manages the extraction of kaolin from the Pittong and Lal Lal mine sites and builds stockpiles at the mine site, transports the crude kaolin and builds stockpiles at the ROM pad at the Pittong plant. The plant takes its feedstock from the ROM pad and processes crude kaolin via four lines to produce a range of products with different specifications for different end users (lump, slurry, powder and pulverised powder). The Pittong Plant comprises wet plant (trommel, hydroclones, dynacone, and grinder bleaching), primary drying (screens, filter press, paddle, mixer, pug, extruder, band dryer), slurry makedown, secondary drying (hopper, attritor mill, packers) and a micron mill.

(c) **Resources, Reserves and Metallurgy**

The Pittong project mines kaolin from two active mines and processes the ore near the Pittong Mine site. The ore is a primary kaolin, occurring as a deeply weathered horizon within a coarse-grained granite. Overburden is minimal, and limited to thin soils and locally, thin volcanic epiclastic sediments.

Table 1 shows the initial reported mineralised material for the combined Pittong, Lal Lal and Trawalla deposits, as estimated in August 2005. Please note that these are not reported in accordance with the JORC Code, but instead in accordance with the 2001 edition of the PERC¹ Code.

Table 2 illustrates the same estimate depleted for mining production up to 31 December 2019. As is common industry practice, the next scheduled depletion of the estimates will be 31 December 2020.

The initial estimate was completed in August 2005 (Pettett, 2005) and is the basis of the current summary of mineralisation, underpinning the current mining plan and mining schedule (equivalent in confidence to Reserves) which have been in use since 2005, to the present day, subject to depletion estimates discussed later in this report. Most production comes from the Pittong Mine, which is situated close to the processing plant. A small amount of production comes from the Lal Lal deposit, which is used to supplement Pittong with a higher brightness, non-yellowing ore.

The study that supports the August 2005 estimate was considered by the Target Group and the Competent Persons (in accordance with the PERC Code), at the time to be of a sufficient standard to support mine planning and scheduling activities. These estimates have been reviewed by Suvo, and are considered to be of sufficient quality, verification and confidence to be analogous to Indicated Mineral Resources and Probable Reserves for a kaolin deposit; however, as they have been reported in accordance with the PERC code, they are considered to be a foreign² estimate. Investors should note the below cautionary notes before relying on foreign estimates.

¹ The Pan European Reporting Code (PERC) is the European equivalent of the JORC Code in Australasia, SAMREC in South Africa, and similar reserves standards bodies elsewhere, and is a constituent member of CRIRSCO (www.crirSCO.com). Representation on PERC covers major and junior mining sectors, industrial minerals, aggregates, coal, the investment and financial community and the professional accreditation organisations including the Institute of Materials, Minerals, and Mining (IOM3); the European Federation of Geologists; the Geological Society of London; the Institute of Geologists of Ireland; the Fennoscandian Association for Metals and Minerals Professionals; the Iberian Mining Engineers Board

² The ASX Listing Rules define a foreign estimate as an estimate of quantity and grade of mineralisation that was prepared using a mineral resources classification and reporting standard from another jurisdiction prior to an entity acquiring, or entering into an agreement to acquire, an interest in a mining tenement that contains the deposit, and which the entity has not verified as mineral resources or ore reserves in accordance with ASX LR Appendix 5A (JORC Code).

CAUTIONARY STATEMENTS: INVESTORS SHOULD NOTE:

The foreign estimates reported below were first reported by the Company on 23 November 2020. The Company is not in possession of any new information or data relating to the foreign estimates that materially impacts on the reliability of the estimates or the Company's ability to verify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code.

The below tables set out the reported mineralised material for the combined Pittong, Lal Lal and Trawalla deposits, effective at 31 December 2019. Please note that these are not reported in accordance with the JORC Code, but instead with the 2001 edition of the PERC Code.

A Competent Person has not done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code.

It is uncertain that following evaluation and/or further exploration work that the foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.

Table 1: Kaolin as at August 2005, reported in accordance with PERC code 2001 edition

Project Area	Resource (million tonnes)			Reserves (million tonnes)	
	Measured	Indicated	Inferred	Proved	Probable
Pittong	-	2.0	-	-	0.72
Trawalla	-	2.1	-	-	0.74
Lal Lal	-	-	-	-	0.04
Total	-	4.1	-	-	1.50

Table 2: Kaolin as at 31 December 2019, reported in accordance with PERC code 2001 edition

Project Area	Resource (million tonnes)			Reserves (million tonnes)	
	Measured	Indicated	Inferred	Proved	Probable
Pittong	-	2.0	-	-	0.37
Trawalla	-	2.2	-	-	0.75
Lal Lal	-	-	-	-	0.02
Total	-	4.2	-	-	1.14

The notes below are applicable to Table 1 and Table 2:

1. "Resources and Reserves" are not reported in accordance with the 2012 edition of the JORC Code.
2. Trawalla is included, although it is not operational.
3. "Resources and Reserves" are in million metric tonnes of final product. Differences may occur due to rounding.
4. "Reserves and Resources" are EXCLUSIVE. Quantities and qualities quoted for "Resources" do not include the "Reserves" material.
5. Figures rounded to appropriate number of significant figures

For further information on the foreign estimates, please see the Company's announcement of 23 November 2020.

(d) **Further evaluation and feasibility work**

The Company intends to undertake works in order to report JORC complaint Resources and Reserve estimates for all of its mining assets, noting however, that there are no guarantees that the reporting of Resources and Reserves will be successful. The exercise will comprise shallow air-core drilling campaigns at the Pittong and Lal Lal mines, laboratory tests to determine grade and quality of ore, an analysis of bulk density for each deposit, and an extrapolation and interpretation of data. These studies will be conducted under the guidance of CSA Global. This is estimated to cost approximately \$200,000 and the Company intends to complete this work by 30 June 2021.

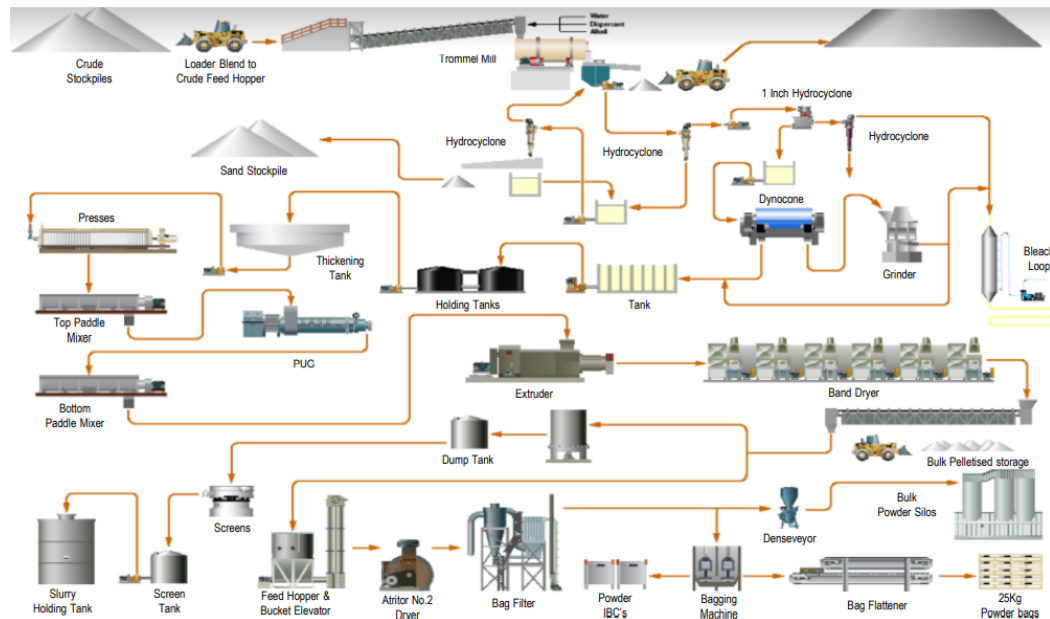
Trawalla has not yet been mined, however, 4,500 metres of air-core drilling and associated data is available for interpretation. The Company aims to use this data to underpin a JORC complaint resource, and will aim to verify the existing data by undertaking a sample of parallel air-core holes. This project was originally drilled by Dr Ian Wilson, a non-executive director of the Company, who is very familiar with the Target Group assets.

The proposed budget for the evaluation and feasibility program is set out below:

Work	Cost
Air core drilling campaign	\$120,000
Laboratory testing of drill core samples	\$20,000
Pittong and Lal Lal JORC report	\$40,000
Trawalla JORC report	\$20,000
Total	\$200,000

(e) **Pittong Flowsheet**

The Pittong Plant flow sheet is shown below



(i) **Mining operations**

Mining and cartage are carried out by local contractors. They create up to 10 stockpiles of various qualities. All stockpiles are tested in the Pittong laboratory. Depending on the grade to be made, a loader can deliver from different stockpiles. This then goes into a trommel mill where it separates the coarse sand from the kaolin. The sand is taken to a stockpile.

(ii) **Hydrocyclones, centrifuge and grinding**

A series of cyclones further separates the kaolin from the remaining quartz and feldspar. The last hydrocyclone is 1 inch in size and the finer particles feed a centrifuge. This gives a fine product and a coarser underflow which is sent to a grinder for comminution. There is a bleach loop in the circuit. Products then go to holding tanks.

(iii) **Thickening of kaolin, pressing and pugging**

The thickened kaolin (at around 30 wt.% solids) is fed to filter presses. At around 70 wt.% solids the filter cakes are dropped into a top paddle mixer. This breaks-up the cake and passes it to a pug. This is an important part of the process as it puts energy into the clay and causes some delamination. This increases the aspect ratio of the kaolin and increases the % <2 micron level. From the pug, the clay is then dropped into the bottom paddle mixer.

(iv) **Extruder and band dryer**

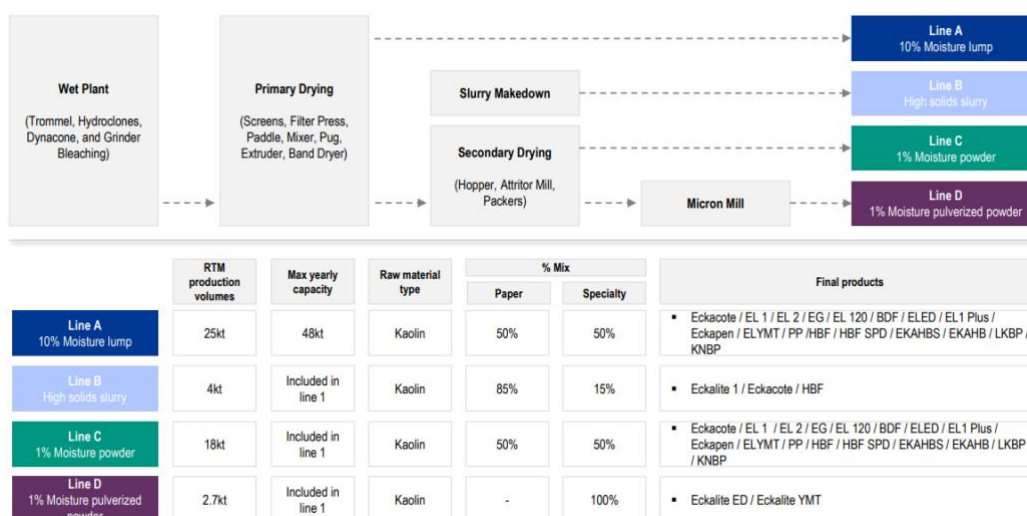
The extruder forces the clay to go through with noodles being produced. This is then passed through a band dryer.

(v) **Various product forms**

Some kaolin is passed to a tank and mixed into a slurry. This is then passed through screens and a slurry stored at around 65% solids ready for delivery by tanker to paper customers. The main product is a 10% moisture lump. From the band dryer the clay is passed through an attritor No2 dryer. The powder can be stored in bulk powder silos. 1% moisture product can be packed in powder bulk containers and there is a bagging machine which fills 25kg bags with a bag flattener, before all are loaded onto pallets ready for dispatch.

(f) **Pittong Production Lines**

The Pittong Production Lines is shown below:



(g) **Location, Access and Infrastructure**

The Pittong Plant is located at 3610 Glenelg Highway, 150km North West of Melbourne, Victoria and 40km West of Ballarat. The Pittong Plant has been in operation since 1972 and has well established access to utilities and the different mine sites:

- (i) the Pittong Mine is located 1 kilometre from the Pittong Plant;
- (ii) the Lal Lal Mine is located 60 kilometres from the Pittong Plant; and
- (iii) the Trawalla greenfield project site is located 25 kilometres from the Pittong Plant.

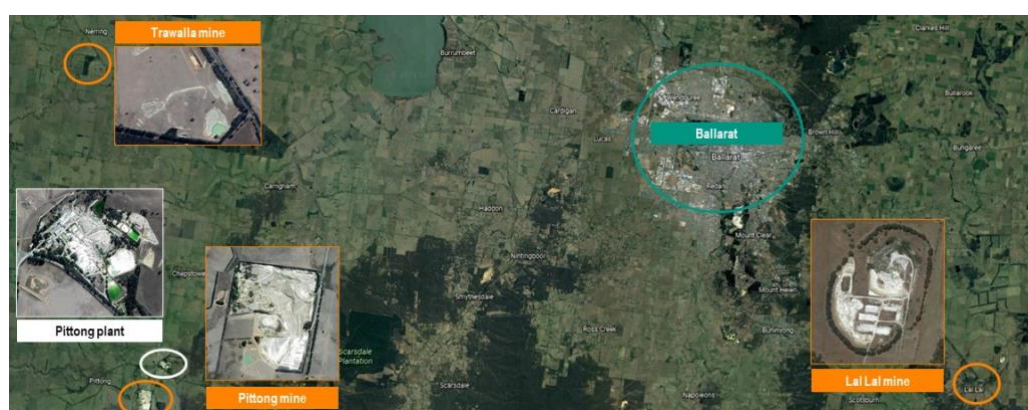


Figure 1: sets out the location of the Assets in comparison to Ballarat.

(h) Financing

The Company is raising \$6,000,000 (before costs) to fund the Acquisition. As disclosed in the use of funds table, the Company will:

- (i) pay \$2,110,000 to acquire the Target Group (including stamp duty);
- (ii) apply \$1,850,000 to replace current environmental bonds;
- (iii) apply \$700,000 to a proposed capital expenditure works program that has already been planned and committed by the Target Group, to be completed by the end of April 2021;
- (iv) apply up to \$200,000 worth of works and studies to report JORC Code complaint reserves and resources estimates; and
- (v) inject \$640,000 into the Target Group to cover working capital to fund the operations going forward.

The Target Group has been trading since 1972. The Target Group's consolidated audited financial statements for the year ending 31 December 2019 and 2018 is set out at Schedule 2 and the unaudited year to date financial information for the period 1 January 2020 to 30 September 2020 is set out at Schedule 3.

Target Group is currently cash flow positive and has no debt facilities in place. The Company considers that the \$640,000 working capital from the Capital Raising to be sufficient to cover any shortfalls in operating expenditure. However, in the event that the Target Group should require additional working capital, the Company will consider readily available means of finance including a receivable financing facility, inventory financing or further equity funding.

(i) Capital Expenditure

The Company has allocated \$700,000 in its use of funds to apply to capital expenditure upgrades on the press deck, loader shed and chemical shed at the Pittong Plant. The Company engaged Mining Plus, an engineering consultant, to undertake a site inspection of the plant and preliminary assessment of data room documentation (including site inspection reports undertaken by the Target Group's consultants).

It is the Company's intention to assess the need to replace, upgrade and possibly expand the Target Group's existing infrastructure and equipment within the first 12 months of ownership, and will develop a plan and budget to address any further deficiencies as part of the ordinary course of business. It is possible that the capital expenditure required in order to upgrade ageing infrastructure may exceed the amount provided for in the use of funds, in which case the Company may consider funding arrangements including a possible combination of equipment finance and raising new capital.

(j) Mining Licenses

The Assets include the following mining licences:

Asset	Tenement	Tenement Holder	Status	Area (Ha)
Pittong	MIN5408	Kaolin Australia Pty Ltd	Pending renewal	65.22
Lal Lal	MIN5409	Kaolin Australia Pty Ltd	Current	117.66
Trawalla	MIN5365	Kaolin Australia Pty Ltd	Current	236.80

Pittong MIN5408 expires on 18 December 2020. Victorian mining law provides that if the renewal application is lodged before expiry, the licence continues in effect until the application is granted and registered or refused. Kaolin Australia Pty Ltd has lodged an application for renewal which is currently pending.

Renewal is not automatic and there are a number of matters that have to be taken into account when determining whether to grant or refuse an application.

In particular, mining must be occurring or have occurred and continue, or restart, in the renewed term.

The Minister may also refuse the application where:

- (i) the applicant has not complied with the Mining Act or a condition in the licence, a work plan or a planning scheme;
- (ii) the applicant has endangered the public or an employee on or near the land the subject of the licence;
- (iii) the applicant is not a fit and proper person, does not genuinely intend to carry out the work, does not have an appropriate work program or does not have the financial resources to carry out the work or rehabilitation; or
- (iv) it is no longer feasible to mine and it will not be feasible to mine in the future.

The Company is aware that as a result of the Acquisition, the Department must be advised of:

- (v) any changes of associates of the relevant entities (such as changes to directors and officers of Mircal Australia); and
- (vi) changes associated with Mircal Australia's access to finance.

Whilst there is a risk that the Minister does not grant the renewal (or does not grant it on terms acceptable to the Company), the Company has assessed the above and does not believe either pose a material risk to the renewal of the mining licence.

Aside from the matters stated above, the Company is not aware of any reason why mining licence MIN5408 would not be renewed.

(k) **Native Title**

The Assets are not subject to any native title claims or agreements.

(l) **Environmental and rehabilitation**

As part of the Acquisition, the Company will be required to replace existing environmental and rehabilitation bonds as follows:

Asset	\$
Pittong	1,198,000
Lal Lal	398,000
Trawalla	254,000
Total	1,850,000

(together, the **Rehabilitation Bonds**).

The Company intends to finance the replacement of the Rehabilitation Bonds through funds raised under the Capital Raising, as set out in the use of funds in Section 4.3(e).

Mircal Australia is required to have and maintain environmental permits in order to conduct the operations of the Assets. Further information regarding the risks of environmental permitting is set out in item 2(n) of Schedule 5.

(m) **Royalties**

Mircal Australia is required to pay royalties on mineral product produced from the Mineral Licences. The royalties are comprised of:

- (i) **State royalty:** the royalty payable to the Victorian government is calculated as 2.75% of the net market value of the mineral produced under the licence (see section 12(1) of the Mining Act, and regulation 6(1)).
- (ii) **Third party royalties:** (payable in respect of the Pittong Mining Licence):
 - (A) a royalty payable to K & A Knight of approximately \$1.05 per bulk cubic metre of kaolin ore extracted from the relevant area; and
 - (B) an annual royalty payable to John Francis Kennedy of up to \$3,000 (calculated on a pro rata basis in respect of any area of the Licence on which Mircal Australia is yet to complete its rehabilitation obligations).

The royalties are subject to various adjustment mechanisms.

(n) **Personnel**

Mine operations and haulage to plant services are undertaken by a mining contractor.

The Pittong Plant has 31 full time equivalent employees and 2 temporary agency personnel.

It is the Company's intention to retain existing staff on the same terms and conditions. Key operational management will be eligible to participate in the Company's 2020 Incentive Plan.

As some support activities have been undertaken as part of a shared services arrangement through the wider Imerys Group, the Company and Imerys included provisions in the Acquisition Agreement whereby these services will be transitioned to existing and, if required, new operational staff.

(o) **Financial results**

Item	Year to Date 30-Sep-20 AUD\$'000's (Unaudited)	Year ended 31 Dec 2019 AUD\$'000's (Audited)	Year ended 31 Dec 2018 AUD\$'000s (Audited)
Sale of goods	8,820	13,685	13,778
Cost of sales	(3,290)	(5,952)	(5,747)
Gross profit	5,530	7,733	8,031
Other income	100	191	477
Distribution and marketing expenses	(956)	(1,206)	(1,275)
Administrative and other expenses	(3,167)	(4,417)	(4,926)
Finance costs	(55)	(109)	(152)
Profit before income tax	1,452	2,192⁽²⁾	2,155⁽¹⁾
Income tax expense	(400)	(659)	(395)
Profit for the year	1,052	1,533	1,760

Normalised EBITDA (unaudited)³	1,793	2,100	2,700
--	--------------	--------------	--------------

Notes:

1. Including \$319,000 of Profit before income tax related to Australian Vermiculite Industries Pty Ltd, a dormant company not part of the proposed transaction.
2. Including \$330,000 of Profit before income tax related to Australian Vermiculite Industries Pty Ltd, a dormant company not part of the proposed transaction.
3. Normalised EBITDA (earnings before interest, tax, interest, depreciation and amortisation) excludes the impact of the values disclosed in notes 1 and 2, and other Imerys Group related non-recurring transactions.

From 1 January 2020 to 30 September 2020, the Target Group has sold 16,200 tonnes of kaolin products generating approximately \$8,800,000 in revenue and \$1,800,000 in normalised EBITDA. The Target Group has advised that the COVID-19 pandemic has had an adverse impact on domestic sales (reduction of 11%) and export sales (reduction of 17%).

(p) Financial Effect of the Transaction

The consolidated audited financial statement for Mircal Australia for the year ending 31 December 2019 and 31 December 2018 is set out at Schedule 2.

The year to date unaudited financial information for Mircal Australia for the period from 1 January 2020 to 30 September 2020 is set out in Schedule 3.

The pro-forma balance sheet of the Company is set out at Schedule 4, is based on the Company's audited financial statements of 30 June 2020 and is subject to the following adjustments:

- (i) completion of the Acquisition Agreement;
- (ii) completion of the Capital Raising of \$6,000,000 (before costs);
- (iii) the purchase price of Mircal Australia of \$2,000,000 (subject to adjustment);
- (iv) stamp duty of \$110,000;
- (v) the replacement of the Rehabilitation Bonds of \$1,850,000;
- (vi) capital expenditure of \$700,000;
- (vii) working capital of \$840,000;
- (viii) legal, accounting and engineering costs of \$140,000; and
- (ix) the pro-forma adjustments set out at Section 6.4 of the Prospectus, which account for, among other things, the acquisition of the Existing Projects and the capital raising of \$5,000,000 (before costs) undertaken as part of the public offer under the Prospectus.

(q) **Lead Manager Mandate**

The Company has engaged Canaccord Genuity to act as lead manager to the Capital Raising who will receive a fee of 6% of the gross proceeds raised under the Capital Raising. The Co-Lead Managers (or their nominees) will receive up to 12,000,000 unquoted Options with an exercise price of \$0.15 and an expiry date three years from the date of issue on the terms set out in Schedule 6 (**Advisor Options**).

The Lead Manager Mandate contains additional provisions, including warranties and indemnities in respect of the Company, which are considered standard for agreements of this nature.

(r) **Business Model**

The Company's current business model is focussed on evaluating, exploring and developing its Nova Silica Sand and White Knight Kaolin projects. Post-Acquisition, the business model will be augmented by an operating mining and processing plant that produces a range of kaolin products. Those products will be rebranded to the Company's White Knight Kaolin brand.

(s) **Changes to the Board and senior management**

There are no proposed changes to the Board of the Company. The Company does not intend to change operational senior management post-acquisition.

(t) **Proposed timetable**

The Company's indicative Transaction timetable is set out below:

	Event	Proposed Date
1.	Meeting Date	Tuesday, 22 December 2020
2.	Issue of the Capital Raising Shares	Wednesday, 23 December 2020
3.	Practical Completion	Thursday, 31 December 2020
4.	Business transition – Hand over	Friday, 1 January 2021

This timetable is a proposed indicative timetable only and the Board reserves the right to vary the dates.

(u) **Advantages of the Transaction**

A non-exhaustive list of advantages of the Transaction are set out below:

Operating mine	Access to operational staff who have experience in mining kaolin deposits as the operation has two active mines where kaolin ore is extracted and stockpiled ahead of transportation to the processing plant.
----------------	---

	Another ore body has been delineated and a mining licence granted.
Operating processing plant producing kaolin products	Access to operational staff who have experience in processing kaolin ore and producing a suite of end products that are marketed, sold and distributed to the paper, paint, coatings, fibreglass, pharmaceutical and other industries.
Access to laboratory	Access to a live laboratory with operational staff who are experienced in stockpile blending, in-circuit chemical analysis, end-product quality control, water treatment and recycling.
Access to customer base	Access to an existing kaolin products customer base throughout Australia, New Zealand and Southeast Asia.
Access to supplier base	Access to an existing supplier base for key inputs into the mining, processing and manufacturing of kaolin products.
Transfer knowledge	The Company will be able to use the operation's knowledge, experience, customer and supplier bases as it develops its brownfield White Knight Kaolin Project in Gabbin, Western Australia.
Branding	The Company will re-brand the operation's kaolin products to its own White Knight Kaolin brand and intends to benefit from it being marketed in Australia, New Zealand and Southeast Asia to an existing customer base.
Income producing asset	The operation has been mining, processing and selling kaolin products since 1972 and are Australia's only producer of kaolin products. The asset is an income producing asset and had normalised EBITDA for the calendar year 2019 of \$2,100,000.

(v) **Disadvantages of the Transaction**

A non-exhaustive list of disadvantages to the Transaction are set out below:

Dilutive effect	Raising capital to fund the acquisition of the kaolin operation will have a dilutive effect on existing
-----------------	---

	<p>Shareholders as new securities will need to be issued by the Company.</p> <p>While the Company believes it is sufficiently capitalised to meet capital and operating expenditure, in the event that the Company is required to fund further expenditure by way of equity financing in an amount greater than budgeted for in the use of funds, such equity funding would further dilute non-participating Shareholders.</p>
Ageing infrastructure	<p>The Assets have been mining, processing and manufacturing kaolin products since 1972. Some of the processing plant infrastructure and equipment is ageing and will require replacement in the near term. The Company has adopted the Target Group's capital expenditure program of \$700,000, to be completed by April 2021 and proposes to apply funds from the Capital Raising towards this expenditure. It is the Company's intention to continue to assess the need to replace, upgrade and possibly expand the existing infrastructure and equipment, and will develop a plan and budget to address any further deficiencies. It is possible that the capital expenditure required in order to upgrade the ageing infrastructure may exceed the amount provided for in the use of funds.</p>
Reserves and resources	<p>Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally made may alter significantly when new information or techniques become available.</p> <p>In addition, by their very nature, Mineral Resource estimates are imprecise and depend on interpretations which may prove to be inaccurate. Whilst the Target Group has used industry-standard techniques by referring to the PERC code to reduce the estimation risk, there is no assurance that this approach will alter the risk. The relevant PERC code was published in 2001. Whilst CSA Global as the Competent Persons for the Foreign Estimate Announcement concurred that the foreign estimates are of sufficient reliability to be regarded as equivalent in confidence to Indicated Mineral Resources and Probable Ore Reserves for the purpose of the Acquisition, there are differences between the PERC code and JORC Code which can adversely affect an investor's ability to rely on the PERC code. Further information on the differences between the codes is set out in the Foreign Estimate Announcement.</p>

	<p>As further information becomes available through additional fieldwork and analysis, resource estimates may change. This may result in alterations to mining and development plans which may in turn adversely affect the Company.</p> <p>The estimates are foreign estimates that are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the foreign estimates as mineral resource or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and / or further exploration work that the foreign estimate will be able to be reported as a mineral resource or ore reserve in accordance with the JORC Code.</p>
Board and management	<p>The ownership of a kaolin producing operation will require the Board to overview those operations. This will entail the assessment and mitigation of different categories of risks, as well as a review and possible revision to company policies and procedures, to those that are currently in place. While the Company remains committed to developing the Existing Projects, it is possible that the Acquisition of the Assets and the operation of the Assets will dilute the focus that the Board and management can dedicate to the Existing Projects.</p> <p>The above disadvantage is mitigated by the Company having two directors who have had extensive experience in mining operations and the Company'. In particular, one of those directors, Dr Ian Wilson, has considerable experience with the Assets as he was involved when the operation was first discovered and commissioned whilst working at Imerys.</p>
Greater Risk Profile	<p>As a result of the Acquisition the Company will face a greater risk profile. A non-exhaustive list of risks is set out in Schedule 5.</p>

(w) **Risks**

The key risks to the Transaction and to the Company are set out in Schedule 5.

(x) **Dividend Policy**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by

the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

(y) **ASX takes no responsibility for the contents of the Notice**

ASX takes no responsibility for the contents of this Notice.

5. Resolution 1 – Approval to issue Capital Raising Shares

5.1 General

Refer to Section 4 for details regarding the Transaction.

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Capital Raising Shares as part of the Transaction.

Resolution 1 is a Transaction Resolution and is subject to Shareholders passing the other Transaction Resolution.

5.2 Listing Rule 7.1

Broadly speaking, Listing Rule 7.1 limits the ability of a listed entity from issuing or agreeing to issue Equity Securities over a 12 month period which exceeds 15% of the number of fully paid ordinary Shares it had on issue at the start of the 12 month period.

Notwithstanding that the proposed issue of the Capital Raising Shares could be undertaken using the Company's existing 15% placement capacity, the Company is seeking the approval of its Shareholders pursuant to Listing Rule 7.1 to issue the Capital Raising Shares.

If Resolution 1 is passed, the Company will be able to issue the Capital Raising Shares and, subject to the satisfaction or waiver of the condition precedent, complete the Transaction. The proposed issue of the Capital Raising Shares will not use any of the Company's 15% limit on issuing Equity Securities under Listing Rule 7.1.

If Resolution 1 is not passed, the condition precedent to the Transaction will not have been satisfied, and the Company will not be able to complete the Transaction.

5.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Capital Raising Shares:

- (a) the Capital Raising Shares will be issued to sophisticated and institutional investors introduced by the Lead Manager and Co-Lead Managers of the Capital Raising, none of which is a Material Investor or related party of the Company;
- (b) a maximum number of 60,000,000 Shares are to be issued as Capital Raising Shares;
- (c) the Capital Raising Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;

- (d) the Capital Raising Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and will occur on the same date;
- (e) the Capital Raising Shares will be issued at a price of not less than \$0.10 per Share to raise approximately \$6,000,000 (before costs);
- (f) the Capital Raising Shares are proposed to be issued to satisfy the condition precedent to the Transaction;
- (g) a summary of the material terms of the Transaction is set out in Section 4. The Company has entered into the Lead Manager Mandate to assist with the Capital Raising, the terms of which are set out in Section 4.5(q), and the Lead Manager or Co-Lead Managers have entered into letters of binding commitments with each of the proposed subscribers under the Placement. There is no mandate or agreement between the Company and the Co-Lead Managers, however, the Company intends to remunerate the Co-Lead Managers through the issue of the Advisor Options on the terms set out in this Notice; and
- (h) a voting exclusion statement is included in the Notice.

5.4 Board Recommendation

Resolution 1 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 1.

6. Resolution 2 – Approval of proposed change to nature or scale of activities of the Company

6.1 General

Refer to Section 4 for a summary of the Transaction.

Resolution 2 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the Transaction.

Resolution 2 is a Transaction Resolution and is subject to Shareholders passing the other Transaction Resolution.

6.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has advised that it:

- (a) requires the Company to obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2; and
- (b) does not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2.

Details of the Transaction and the proposed changes and operations of the Company are provided throughout this Explanatory Memorandum. In the event Shareholders vote against Resolution 2, the condition precedent to the Acquisition will be incapable of being satisfied and the Transaction (including the proposed Capital Raising) will not complete.

6.3 Board Recommendation

Resolution 2 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 2.

7. Resolution 3 – Approval to issue Advisor Options

7.1 General

As set out in Section 4.5(q), the Company has engaged the Lead Manager and Co-Lead Managers to assist with the Capital Raising on the terms set out therein.

Resolution 3 seeks Shareholder approval for the issue of the Advisor Options to the Co-Lead Managers (or its nominees) under and for the purposes of Listing Rule 7.1.

7.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is contained in Section 5.2.

The Company has sufficient capacity under Listing Rule 7.1 to issue the Advisor Options under its Listing Rule 7.1 capacity, however, seeks Shareholder approval so that the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is passed, the issue of Advisor Options can proceed without using up any of the Company's 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

If Resolution 3 is not passed, the issue of Advisor Options can still proceed, but it will reduce, to that extent, the Company's capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1 for 12 months following the issue.

7.3 Specific information required by Listing Rule 7.3

Under and for the purposes of Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Advisor Options:

- (a) a maximum of 12,000,000 Advisor Options in aggregate will be issued to the Co-Lead Managers:
 - (i) Westar Capital Ltd; and
 - (ii) Sandton Capital Advisory Pty Ltd,
 (or their respective nominees), which are advisors to the Company. The final breakdown of Advisor Options is yet to be determined;
- (b) the Advisor Options will be exercisable at \$0.15 each on or before the date 3 years from the date of issue and will otherwise be issued on the terms and conditions set out in Schedule 6;
- (c) the Advisor Options are intended to be issued on the same date, no later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (d) the Advisor Options will be issued for nil cash consideration as consideration to the Co-Lead Managers. Accordingly, no funds will be raised from the issue of the Advisor Options;
- (e) The Company has entered into the Lead Manager Mandate to assist with the Capital Raising, the terms of which are set out in Section 4.5(q). There is no mandate or agreement between the Company and the Co-Lead Managers, however, the Company intends to remunerate the Co-Lead Managers through the issue of the Advisor Options on the terms set out in this Notice; and
- (f) a voting exclusion statement is included in the Notice.

7.4 Board recommendation

- (a) Resolution 3 is an ordinary resolution.
- (b) The Board recommends that Shareholders vote in favour of Resolution 3.
- (c) Resolution 3 is not a Transaction Resolution, meaning if Shareholders do not approve the issue of the Advisor Options, the Transaction may still proceed. Resolution 3 is however, subject to the Transaction Resolutions being approved. In the event that Shareholders do not approve either or both of the Transaction Resolutions, Resolution 3 will not take effect.

Schedule 1 Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$	means Australian Dollars.
Acquisition	means the proposed acquisition of 100% of the issued capital of Mircal Australia.
Acquisition Agreement	means the share purchase agreement between the Vendor and the Company.
Advisor Options	means the unquoted Options issued on the terms set out in Schedule 6.
Assets	has the meaning given in Section 4.5(b).
ASX	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Board	means the board of Directors.
Capital Raising	has the meaning given in Section 4.3.
Capital Raising Shares	means the proposed issue of up to a maximum of 60,000,000 Shares, the subject of Resolution 1.
Chair	means the person appointed to chair the Meeting of the Company convened by the Notice.
Clause	means a clause of the Constitution.
Closely Related Party	means: <ul style="list-style-type: none">(a) a spouse or child of the member; or(b) has the meaning given in section 9 of the Corporations Act.
Co-Lead Managers	means Westar Capital Ltd (ACN 009 372 838) and Sandton Capital Advisory Pty Ltd (ACN 637 284 372).
Company	means Suvo Strategic Minerals Limited (ACN 140 316 463).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth) as amended or modified from time to time.
Department	means the Victorian Department of Jobs, Precincts and Regions.
Director	means a director of the Company.
Existing Projects	means the Company's: <ul style="list-style-type: none">(a) White Knight Kaolin Project; and(b) Nova Silica Sand Project.

Equity Security	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means the explanatory memorandum which forms part of the Notice.
Foreign Estimate Announcement	means the Company's announcement of 23 November 2020.
GED	means a general environmental duty under the New EP Act.
Imerys	Imerys means Imerys S.A.
JORC Code	means the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the joint ore reserve committee.
ktpa	means a thousand tonnes per annum.
Lead Manager	means Canaccord Genuity (Australia) Limited ACN 075 071 466.
Lead Manager Mandate	means the lead manager mandate between the Lead Manager and the Company dated 8 November 2020.
Listing Rules	means the listing rules of ASX.
Material Investor	<p>means, in relation to the Company:</p> <ul style="list-style-type: none"> (a) a related party; (b) Key Management Personnel; (c) a substantial Shareholder; (d) an advisor; or (e) an associate of the above, <p>who received Shares which constituted more than 1% of the Company's capital structure at the time of issue.</p>
Mining Act	means the <i>Mineral Resources (Sustainable Development) Act 1990</i> (VIC).
Mining Licences	has the meaning given in Section 4.5(j).
Minister	means the Victorian Minister for the Coordination of Jobs, Precincts and Regions – COVID 19.
Mircal Australia	Mircal Australia Pty Ltd (ACN 095 268 447).
Meeting	has the meaning given in the introductory paragraph of the Notice.
New EP Act	means the <i>Environmental Protection Act (the Amendment Act) 2018</i> (VIC), which is due to come into force from 1 July 2021.
Notice	means this notice of annual general meeting.

PERC	means the <i>European Reporting Code for Reporting of Mineral Explorations Results, Mineral Resources and Mineral Reserves 2001</i> .
Proxy Form	means the proxy form attached to the Notice.
Resolution	means a resolution referred to in the Notice.
Rehabilitation bonds	has the meaning given in Section 4.5(g)
Schedule	means a schedule to the Notice.
Section	means a section of the Explanatory Memorandum.
Securities	means any Equity Securities of the Company (including Shares, Options and/or Performance Rights).
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Target Group	means Mircal Australia and its subsidiaries (excluding Australian Vermiculite Industries Pty Ltd (ACN 070 146 771)).
Trading Day	has the meaning given in the Listing Rules.
Transaction	means the Acquisition and associated Capital Raising.
Transaction Resolutions	means Resolution 1 and Resolution 2 inclusive.
Vendor	Mircal (a company registered in France with the Paris Companies Registry with number 333 160 620).
WST	means Western Standard Time, being the time in Perth, Western Australia.

**Schedule 2 Consolidated audited financial statements for Mircal
Australia for the year ending 31 December 2019 and
2018**

Schedule 3 Unaudited year to date financial information for Mircal Australia for the period 1 January 2020 to 30 September 2020

Consolidated Statement of Comprehensive Income For the period 1 January to 30 September 2020

	\$'000s
Sale of goods	8,820
Cost of sales	<u>(3,290)</u>
Gross profit	5,530
Other income	100
Distribution and marketing expenses	(956)
Administrative and other expenses	(3,167)
Finance costs	<u>(55)</u>
Profit before income tax	1,452
Income tax expense	<u>(400)</u>
Profit for the period after tax	1,052
 Earnings Before Interest, Tax and Depreciation	 <u>1,793</u>

Consolidated Statement of Cash Flows For the period 1 January to 30 September 2020

	\$'000s
Operating activities	
Receipts from customers	9,643
Payments to suppliers and employees	(8,171)
Interest received	27
Interest paid	(55)
Income tax paid	<u>(426)</u>
Net cash flows from operating activities	<u>1,018</u>
 Investing activities	
Purchase of property, plant and equipment	<u>(152)</u>
Net cash flows used in investing activities	<u>(152)</u>
 Financing activities	
Repayment of lease liabilities	(93)
Advances to related parties	<u>(1,573)</u>
Net cash flows used in financing activities	<u>(1,666)</u>
 Net decrease in cash and cash equivalents for the period	 (800)
Cash and cash equivalents at 1 January 2020	<u>1,056</u>
Cash and cash equivalents at 30 September 2020	<u>256</u>

Pro-Forma Consolidated Statement of Financial Position
As at 30 September 2020

	\$'000s
Current assets	
Cash and cash equivalents	256
Trade and other receivables	2,287
Inventories	1,429
Prepayments	89
Total current assets	4,061
Non-current assets	
Property, plant and equipment	4,513
Deferred tax assets	1,105
Total non-current assets	5,618
Total assets	9,679
Current liabilities	
Trade and other payables	1,289
Income tax payable	1,559
Employee benefits liabilities	288
Total current liabilities	3,136
Non-current liabilities	
Employee benefits liabilities	290
Provisions	3,624
Total non-current liabilities	3,914
Total liabilities	7,050
Net Assets	2,629
Equity	
Issued capital	46,322
Retained losses	(43,693)
Total equity	2,629

The above pro-forma consolidated statement of financial position excludes balances that will be eliminated from the Target Group by the Vendor pre-Completion.

Schedule 4 Pro-forma balance sheet of the Company

Suvo Strategic Minerals Limited	A	B	C	D = B + C	E	F = D + E	G	H	I	J = F + G + H + I
Pro-Forma Balance Sheet at 30 June 2020			Note 1		Note 2		Note 3		Consolidation	Suvo
	Suvo	Suvo	Suvo	Suvo		Suvo		Target	Journals	Consolidated
	Audited	Audited	Pro-forma adj.	Pro-forma		Pro-forma		Unaudited		Unaudited
			Capital raising and subsequent events	Post-Capital raising and subsequent events	Capital raising to acquire Target	Post-Capital raising to acquire Target	Purchase of Target and use of funds			Post-Target acquisition and use of funds
		A\$1=US\$0.68769								
	<u>US\$'000s</u>	<u>AUD\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>
Current Assets										
Cash	240	349	4,819	5,168	5,640	10,808	(4,800)	0		6,008
Trade receivables	63	92	0	92	0	92		2,300		2,392
Other receivables	18	26	24	50	0	50		100		150
Inventories - raw materials	0	0	0	0	0	0		900		900
Inventories - finished goods	0	0	0	0	0	0		400		400
Prepayments	0	0	0	0	0	0		0		0
Total Current Assets	321	467	4,843	5,310	5,640	10,950	(4,800)	3,700		9,850
Non-Current Assets										
Property, plant and equipment	0	0	8	8	0	8	700	4,100		4,808
Exploration and evaluation assets	0	0	2,812	2,812	0	2,812		0		2,812
Investment in Target	0	0	0	0	0	0	2,110	0	(2,110)	0
Mining lease bonds	0	0	0	0	0	0	1,850	0		1,850
Right of use assets	0	0	0	0	0	0		100		100
Deferred tax assets	0	0	0	0	0	0		300		300
Total Non-Current Assets	0	0	2,820	2,820	0	2,820	4,660	4,500		9,870
Total Assets	321	467	7,663	8,130	5,640	13,770	(140)	8,200		19,720

Current Liabilities

Trade payables	105	153	49	202	0	202		1,600	1,802
Income tax payable	0	0	0	0	0	0		500	500
Lease liabilities	0	0	0	0	0	0		300	300
Employee benefits liabilities	0	0	0	0	0	0		600	600
Total Current Liabilities	105	153	49	202	0	202	0	3,000	3,202

Non-Current Liabilities

Employee benefits liabilities	0	0	0	0	0	0		300	300
Provision for restoration and rehabilitation	0	0	0	0	0	0		2,600	2,600
Total Non-Current Liabilities	0	0	0	0	0	0	0	2,900	2,900

Total Liabilities

105	153	49	202	0	202	0	5,900	6,102
------------	------------	-----------	------------	----------	------------	----------	--------------	--------------

Net Assets

216	314	7,614	7,928	5,640	13,568	(140)	2,300	13,618
------------	------------	--------------	--------------	--------------	---------------	--------------	--------------	---------------

Equity

Issued capital	12,904	18,764	7,447	26,211	5,640	31,851		46,300	(46,300)	31,851
Reserves	2,234	3,249	1,095	4,344	0	4,344		0	190	4,534
Retained losses and dividends paid	(14,922)	(21,699)	(928)	(22,627)	0	(22,627)	(140)	(44,000)	44,000	(22,767)
Total Equity	216	314	7,614	7,928	5,640	13,568	(140)	2,300		13,618

Notes:

1. Pro-forma adjustments as per Section 6.4 on page 85 of the Prospectus.
2. Capital raising of \$6M less 6% capital raising fees of \$360,000.
3. Use of funds:

Purchase price of Target	2,000
Stamp duty	110
Mining lease bonds	1,850
Capital expenditure	700
Working capital	640
Evaluation and feasibility work	200
Legal, accounting and engineering costs	140
	<hr/>
	5,640
	<hr/>

Further information on the pro-forma adjustments is set out in Section 4.5(p).

Schedule 5 Summary of key risks

1. Key risks relating to the Acquisition

As with any acquisition, there are risks involved. This section identifies the major areas of risk associated with the Acquisition, but should not be taken as an exhaustive list of the potential risk factors to which the Company and its Shareholders are exposed.

(a) Due Diligence Risk

The Company has undertaken a due diligence process in respect of the Acquisition, which relied in part on the review of operational, legal, financial and other information provided by the Vendor. While the Company considers the due diligence process undertaken to be appropriate, the Company is not able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, the Company has prepared (and made assumptions in the preparation of) the financial information included in this Notice relating to the Acquisition on a stand-alone basis and also relating to the Company post-transaction in reliance on limited financial information and other information provided by the Vendor. This information was based on an audited balance date as at 31 December 2018 and 31 December 2019 and unaudited balance sheet at 30 June 2020. The Company is otherwise unable to verify the accuracy or completeness of any of the information provided by the Vendor or about the Acquisition, including changes to the financial position that may have occurred after the 31 December 2019 balance date. If any of the data or information provided to and relied upon by the Company in its due diligence process and its preparation of this Notice proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Company may be materially different to the financial position expected by the Company and reflected in this Notice.

Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which might also have a material impact on the Company (for example, the Company may later discover defects which were not identified through due diligence or for which there is no protection or recourse for the Company). This might adversely affect the operations, financial performance or position of the Company. Further, the information reviewed by the Company includes forward-looking information. While the Company has been able to review some of the foundations for the forward-looking information relating to the Acquisition, forward looking information is inherently unreliable and based on assumptions that may change in the future.

(b) Dilution risk

The Company currently has 525,568,245 Shares on issue. On completion of the Acquisition, the Company proposes to issue up to 60,000,000 Capital Raising Shares.

On completion of the Acquisition and assuming all of the Shares under the Capital Raising are issued (and no exercise of Options), the existing Shareholders will retain approximately 89.75% of the issued Share capital of the Company and the investors

under the Capital Raising will hold approximately 10.25% of the issued Share capital of the Company.

While the Company believes it is sufficiently capitalised to meet capital and operating expenditure, there remains a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund further expenditure on the Assets.

(c) **Contractual risk**

Pursuant to the Acquisition Agreement (summarised at Section 4.3) the Company has agreed to acquire 100% of the issued capital of Mircal Australia subject to the fulfilment of the condition precedent. In the event the condition precedent is not satisfied, the Company will not be able to complete the Acquisition and the Transaction will not complete.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy including performance of the Acquisition Agreement, which can be costly.

(d) **Change of control**

The Transaction will result in a change of control of Mircal Australia. There are a number of contractual arrangements with counterparties which are subject to review, consent or termination rights on change of control. There is no guarantee that counterparties will not exercise their rights or negotiate with Mircal Australia in relation to these change of control events. This could have materially adverse consequences for Mircal Australia. If such rights are exercised by counterparties, Mircal Australia may incur costs, or loss of revenue, which could be material.

2. Key risks relating to the Company and the Industry

(a) **Future Earnings and Capital Requirements**

The Company has undertaken financial and business analysis of the Assets in order to determine their attractiveness to the Company and whether to pursue the Acquisition. To the extent that the actual results achieved by the Assets are weaker than those anticipated, or any unforeseen difficulties emerge in integrating the operations of Mircal Australia, there is a risk that the future revenue of the operations of the Assets may differ (including in a materially adverse way) from the expectations of the Company. Adverse differences may cause the Company to seek further financing from time to time to finance the ongoing operation of the Assets. Similarly, the Company may be required to raise further finances in order to meet capital expenditure upgrades on the Assets in an amount greater than contemplated in the use of funds.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or the price of the Capital Raising Shares) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may impact on the development of the Existing Projects, and ultimately on the solvency of the Company.

(b) Mining Licence renewal

Each mining licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Mining licences need to be renewed from time to time. Consequently, the Company could lose title to or its interest in these licences if licence conditions are not met or insufficient funds are available to meet expenditure commitments.

Pittong MIN5408 expires on 18 December 2020. Victorian mining law provides that if the renewal application is lodged before expiry, the licence continues in effect until the application is granted and registered or refused. The current holder of Pittong MIN5408 (Kaolin Australia Pty Ltd) has lodged an application for renewal which is currently pending. Renewal is not automatic and there are a number of matters that have to be taken into account when determining whether to grant or refuse an application. In particular, mining must be occurring or have occurred and continue, or restart, in the renewed term.

The Minister may also refuse the application where:

- (i) the applicant has not complied with the Mining Act or a condition in the licence, a work plan or a planning scheme;
- (ii) the applicant has endangered the public or an employee on or near the land the subject of the licence;
- (iii) the applicant is not a fit and proper person, does not genuinely intend to carry out the work, does not have an appropriate work program or does not have the financial resources to carry out the work or rehabilitation; or
- (iv) it is no longer feasible to mine and it will not be feasible to mine in the future.

The Company is aware that as a result of the Acquisition, the Department must be advised of:

- (v) any changes of associates of the relevant entities (such as changes to directors and officers of Mircal Australia); and
- (vi) changes associated with Mircal Australia's access to finance.

While the Company has assessed the above and does not believe either pose a material risk to the renewal of the Licence, there remains a risk that the Mining Licences (and in particular, MIN5408) may not be renewed in a timely manner, may be renewed subject to onerous or uncommercial conditions, or may not be renewed at all. Any non-renewal of the Mining Licences will adversely affect the financial position of the Company. The ongoing COVID-19 pandemic and associated office closures in Victoria may also adversely affect the time in which the Mining Licence renewal is processed.

(c) **Sales margins, commodity prices and costs risks**

Sales are impacted by the market price of products sold which are subject to market forces of supply and demand. Specifically, the sales of kaolin produced from the Assets are subject to global pricing patterns. Margins are also impacted by the cost of inputs and the cost of financing.

(d) **Mining and processing risks**

The Mircal Australia's Assets first started producing kaolin products in 1972 and is the only operating wet kaolin mine in Australia.

The prospects of the Company should be considered in light of the risks, expenses and difficulties frequently encountered by operating mining companies. The business of production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) being able to readily extend the life of mine through the successful exploration and discovery of economically recoverable mineral reserves;
- (ii) the ability to retain key operational staff;
- (iii) sufficient cash flow to meet operating expenses in a timely manner;
- (iv) maintenance of production infrastructure within capital expenditure budgets;
- (v) securing and maintaining title to interests and operating within the conditions of the relevant Mining Licences and permits;
- (vi) maintaining consents and approvals necessary for the conduct of mineral exploration, development and production;
- (vii) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants; and
- (viii) limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, tribal and traditional ownership processes, changing government regulations and many other factors beyond the control of the Company.

(e) **Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable product;
- (ii) developing an economic process route to produce a product; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal or mineral recovery, affecting the economic viability of the project.

(f) **Commodity price volatility and exchange rate risk**

The Company's ability to proceed with the development of its mineral projects and benefit from mining operations will depend on market factors, some of which may be beyond its control. It is anticipated that any revenues derived from mining will primarily be derived from the sale of kaolin. Consequently, any future earnings are likely to be closely related to the price of these commodities and the terms of any off-take agreements that the Company enters into.

The world market for minerals is subject to many variables and may fluctuate markedly. These variables include world demand for kaolin that may be mined commercially in the future from the Company's project areas, forward selling by producers and production cost levels in major mineral-producing regions. Minerals prices are also affected by macroeconomic factors such as general global economic conditions and expectations regarding inflation and interest rates. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities. Minerals are principally sold throughout the world in US dollars. The Company's cost base will be payable in various currencies including Australian dollars and US dollars. As a result, any significant and/or sustained fluctuations in the exchange rate between the Australian dollar and the US dollar could have a materially adverse effect on the Company's operations, financial position (including revenue and profitability) and performance. The Company may undertake measures, where deemed necessary by the Board, to mitigate such risks.

(g) **Estimation of Mineral Resources and Ore Reserves**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally made may alter significantly when new information or techniques become available.

In addition, by their very nature, Mineral Resource estimates are imprecise and depend on interpretations which may prove to be inaccurate. Whilst the Target Group has used industry-standard techniques by referring to the PERC code to reduce the estimation risk, there is no assurance that this approach will alter the risk. The relevant PERC code was published in 2001. As both the PERC code and the JORC Code derive from the CRIRSCO template, the underlying principles of the classification categories are very similar. However, there are differences in the application of the classification categories by practitioners over time, such that the 2005 estimate may not be wholly compatible with the JORC Code. Further information on the differences between the codes is set out in the Foreign Estimate Announcement.

As further information becomes available through additional fieldwork and analysis, resource and reserve estimates may change. This may result in alterations to mining and development plans which may in turn adversely affect the Company.

The estimates are foreign estimates that are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the foreign estimates as mineral resource or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and / or further exploration work that the foreign estimate will be able to be reported as a mineral resource or ore reserve in accordance with the JORC Code.

(h) **Competition risk**

The markets for the commodities mined or contemplated to be mined by the Company, including kaolin, are competitive and the Company faces competition from other miners. Competition in these markets is based on many factors, including, among others, price, production, capacity, quality, transportation capabilities and costs, blending capability and brand name. Some of the Company's competitors may have greater production capacity as well as greater financial, marketing, distribution and other resources, and may benefit from more established brand names in the international market.

The mineral commodities industry is also characterised by technological advancements and the introduction of new production processes using new technologies. Some of the Company's competitors may develop new technologies and processing methods that are more effective or less costly than those currently used or intended to be used by the Company.

Competitive activities in the markets served by the Company could have a significant impact on the prices realised for its products and can therefore have a material adverse effect on its results of operations and financial condition. The Company's future success will depend on its ability to respond in an effective and timely manner to competitive pressure.

(i) **Native title and Aboriginal heritage risk**

The *Native Title Act 1993* (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

Native title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

It is possible that, in relation to the Mining Licences which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to continue operations may be adversely affected.

The Company must also comply with Aboriginal heritage legislation which (inter alia) create offences relating to harm to Aboriginal heritage. There is a risk Aboriginal sites and objects may exist on the land the subject of the Assets, the existence of which may preclude or limit mining activities in certain areas of the Assets. Further, the disturbance of such sites and objects is likely to be an offence under the applicable legislation, exposing the Company to fines and other penalties. The Directors consider the above risks low due to the previous long history of mining in the areas and the fact that no existing native title agreements or claims relate to the Assets.

(j) **Occupational health and safety risk**

Mining activities have inherent risks and hazards. The Company is committed to providing a safe and healthy workplace and environment for its personnel, contractors and visitors. The Company will provide appropriate instructions, equipment, preventative measures, first aid information, medical facilities and training to all stakeholders through its occupational health and safety management systems. While the Company has a strong record in achieving high quality safety performance at its sites, a serious site safety incident may expose the Company to significant penalties and the Company may be liable for compensation to the injured personnel. These liabilities may not be covered by the Company's insurance policies or, if they are covered, may exceed the Company's policy limits or be subject to significant deductibles. Also, any claim under the Company's insurance policies could increase the Company's future costs of insurance. Accordingly, any liabilities for workplace accidents could have a material adverse impact on the Company's liquidity and financial results. It is not possible to anticipate the effect on the Company's business from any changes to workplace occupational health and safety legislation. Changes to this legislation may have an adverse impact on the financial performance and/or financial position of the Company.

(k) **Uninsurable risks**

The Company's business is subject to a number of risks and hazards generally, including without limitation, adverse environmental conditions, industrial accidents, labour disputes, civil unrest and political instability, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development, monetary losses and possible legal liability.

The Company will maintain insurance coverage that is substantially consistent with mining industry practice. However, there is no guarantee that such insurance or any future necessary coverage will be available to the Company at economically viable premiums (if at all) or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate, or that a liability or other claim would not materially and adversely affect the Company's business.

(l) **Third party risks**

Under Victorian and Commonwealth legislation, the Company may be required to obtain the consent of and/or pay compensation to the holders of third-party interests which overlay areas within the Mining Licences, including private land, pastoral leases, petroleum tenure and other mining tenure in respect of exploration or mining activities on the Mining Licences.

Any delays in respect of conflicting third-party rights, obtaining necessary consents, or compensation obligations, may adversely impact the Company's ability to carry out exploration or mining activities within the affected areas.

In particular, part of the Assets are located over areas of private land owned by third parties. The Company will need to ensure that its access arrangements with these private land owners comply with Victorian legal requirements and are in good standing. While the Company is comfortable that the current arrangements are satisfactory, if

these arrangements are not in good standing there is a risk this could have materially adverse consequences for the Company and its ability to carry out exploration or mining activities within the affected areas.

(m) **Regulatory risks**

The Company will incur ongoing costs and obligations associated with compliance with necessary regulations. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Victoria has a new *Environmental Protection Act (the Amendment Act) 2018 (New EP Act)*, which is not current law, slated for commencement on 1 July 2021. Under the New EP Act there is a new general environmental duty (**GED**) that applies to the person, or persons, in management or control of land. Under the GED, if the duty holder suspects that an activity may give rise to harm to human health or the environment from pollution or waste there is a positive duty to notify the Environmental Protection Authority and to minimise risks so far as reasonably practicable. The Company will be required to consider the GED in the future operations of the Assets, which may affect the manner in which the Assets are operated and may impact the future performance and potential profitability of the Assets.

The Company's ability to continue to operate the Assets will depend in part on whether it is able to maintain regulatory approvals and update its operations as necessary to ensure continued compliance with any changes to the regulatory regime.

(n) **Environmental risks**

The Company's projects are subject to rules and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

The Assets have a long operating history and the Company will be subject to rehabilitation obligations in relation to them. There is also a risk that the Assets may be subject to other environmental liabilities resulting from past activities. While the Company will seek environmental warranties in the Acquisition Agreement, such warranties will be the subject of commercial negotiation and will be subject to certain limitations, such as duration and amount. Accordingly, there is no guarantee the warranties will cover all environmental liabilities the Company may assume. Similarly, it is likely that some latent environmental damage will not be picked up during the warranty period.

The Pittong Plant site has a current Environmental Protection Authority licence allowing discharges of treated waste into Narringal Creek. Particularly given the condition of the Pittong Plant infrastructure and equipment (see "Infrastructure Risk" below) the practice of discharging treated waste into Narringal Creek poses a compliance risk that the Company will need to assess, including in light of the GED regime in Victoria which comes into operation in mid-2021.

(o) **Infrastructure Risks**

The Assets have been mining, processing and manufacturing kaolin products since 1972. Some of the processing plant infrastructure and equipment is ageing and in poor condition. There is a risk that these structures may not comply with applicable planning standards. The Company understands that infrastructure and equipment will require replacement in the near term. It is the Company's intention to further assess the need to replace, upgrade and possibly expand the existing infrastructure and equipment. There is a risk that the upgrade of the ageing infrastructure may require the Company to incur significant costs.

(p) **Reliance on key personnel**

The Company is reliant on a number of key personnel and consultants, including members of the Board. The loss of one or more of these key contributors could have an adverse impact on the business of the Company. Similarly, the Acquisition will mean the Board and management of the Company must divide their time and attention between the Assets and the Existing Projects.

The Assets are currently owned and operated by a small number of experienced staff. While the Company intends to retain all operating staff of the Assets, following the Acquisition it is possible that some of those staff may choose not to continue to work for the Company. It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

Similarly, the operations of the Assets currently benefit from access to the broader Imerys group. While the Company intends for the Acquisition Agreement to contain transitional clauses in order for the Vendor to continue to access to key individuals for a period of time following completion of the Acquisition, it is possible that the inability to access the broader Imerys network may have an inverse impact on the operations of the Assets post-Acquisition and the financial performance of the Company.

3. General risks

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential research and development programmes, as well as on their ability to fund those activities.

(b) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive

activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(c) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, the financial condition and the results of the Company.

(d) **Litigation risks**

The Company is subject to litigation risks. All industries, including the minerals exploration industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit.

Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's activities.

The Company and the Mircal Australia are not currently engaged in any material litigation.

(e) **Government and legal risk**

Changes in government, monetary policies, taxation and other laws can have a significant impact on the Company's assets, operations and ultimately the financial performance of the Company and its Shares. Such changes are likely to be beyond the control of the Company and may affect industry profitability as well as the Company's capacity to explore and mine.

Other than disclosed in this Notice, the Company is not aware of any reviews or changes that would affect its permits. However, changes in community attitudes on matters such as taxation, competition policy and environmental issues may bring about reviews and possibly changes in government policies. There is a risk that such changes may affect the Company's development plans or its rights and obligations in respect of its permits. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by the Company.

(f) **Market conditions**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;

- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to security holders arising from the transactions the subject of this Notice or otherwise.

(g) **Climate change risks**

Climate change is a risk the Company has considered, particularly related to its operations in the mining industry. The climate change risks particularly attributable to the Company include:

- (i) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- (ii) climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

(h) **Infectious diseases**

The outbreak of the coronavirus disease (COVID-19) is having a material effect on global economic markets. The global economic outlook is facing uncertainty due to the pandemic, which has had and may continue to have a significant impact on capital markets.

The Company's Share price may be adversely affected by the economic uncertainty caused by COVID-19. Further measures to limit the transmission of the virus implemented by governments around the world (such as travel bans and quarantining) may adversely impact the Company's operations and may interrupt the Company carrying out its contractual obligations or cause disruptions to supply chains.

Schedule 6 Advisor Options

1. **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option

2. **Exercise Price**

Subject to paragraph 11, the amount payable upon exercise of each Option will be \$0.15 (**Exercise Price**).

3. **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date which is 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

4. **Exercise Period**

The Options are exercisable at any time following the date of issue and will expire on the Expiry Date (**Exercise Period**).

5. **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

6. **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

7. **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (a) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 7(b) above for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors

8. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

9. Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

10. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

11. Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

12. Not Transferable

The Options are not transferable.

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Your proxy voting instruction must be received by **10:00am (WST) on Monday 21 December 2020** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/login> or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

