

Interim Report

31 December 2021

Directors' Report

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of Suvo Strategic Minerals Limited (referred to hereafter as the 'Company' or 'Suvo') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Suvo Strategic Minerals Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Robert Martin	Executive Chairman
Mr Aaron Banks	Executive Director
Dr Ian Wilson	Non-executive Director
Mr Len Troncone	Non-executive Director (resigned 29 July 2021)

Principal activities

The principal activities of the Group during the period were refined Kaolin production in Victoria and mineral exploration in Western Australia.

Review of operations

During the period 1 July 2021 to 31 December 2021, the Company produced 14,434t of refined Kaolin products and generated positive operating cashflows of \$427,988.

Due to the significant demand for refined Kaolin products, both domestically and internationally, the Board has approved an upgrade project at Pittong. The upgrade is forecast to increase processing capacity to ~60ktpa and is expected to provide substantial production and operating efficiencies. This will be achieved through the materially enhanced processing capacity and improved energy efficiencies, utilising the newly procured fully automated press deck equipment.

Long lead time items, including three state of the art press deck systems and all ancillary equipment were ordered in August 2021. This proactive procurement strategy has enabled the Company to mitigate risks associated with increased manufacturing lead times, cost increases and freight delays, currently faced by the global mining industry. The Company funded the purchase of these long lead time items from existing cash flows throughout December 2021 and January 2022. The items arrived in Victoria in late February 2022.

After the successful completion of the Gabbin (White Cloud Project) Scoping Study that demonstrated very robust economics, the Company engaged Primero to commence a pre-feasibility study (PFS). In addition to the PFS, a series of other project related studies have commenced.

On 12 October 2021, the Company announced that the Inferred Mineral Resource estimate was completed at Eneabba (Nova Silica Sand Project) and reported in accordance with the 2012 JORC Code guidelines. The Mineral Resource estimate of 216Mt comprised silica sand, silica flour and coarse silica sand. Test work has shown that the various sands can be suitable for speciality glass, foundry applications and thermal energy storage.

The Eneabba Scoping Study works have been commissioned with Primero and metallurgical test work has commenced to produce samples for immediate shipment to potential offtake partners and clients with flowsheet definition and product development works underway.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Directors' Report

Matters subsequent to the end of the half year

On 12 January 2022, Suvo announced that it has extended a major supply agreement with Norske Skog Boyer until December 2024. The agreement covers supply of Suvo's hydrous kaolin products for up to and above 25,500t over the term.

On 17 January 2022, Suvo announced that it has adopted an Environmental, Social and Governance (ESG) framework focusing on key ESG metrics and disclosures based on leading global ESG standards. In conjunction with the launch of this initiative, Suvo has established an independent ESG committee and appointed ESG specialist ESG+F Pty Ltd (ESG+F) to oversee the execution of its ESG strategy.

Suvo's priority is to develop a resilient and sustainable business that is equipped to respond to a constantly changing environment. With climate volatility, nature loss, and the Covid-19 pandemic as recent examples of the evolving world in which we operate. Suvo's Board is continuously seeking to improve how we incorporate climate-related and other sustainability-related risks in our overall risk management framework.

On 20 January 2022, Suvo announced the proposed acquisition of mining tenement E70/4981, a highly prospective silica sand project near Muchea, north of Perth, Western Australia subject to the necessary approvals, including shareholder approval.

The Muchea Project is strategically located adjacent to Brand Highway with rail connections to the Kwinana port facility for bulk handling. The Company has undertaken a desk top due diligence review which indicates the potential proceptivity of the Project. The Project adjoins VRX Silica's (ASX:VRX) Muchea Silica Sand Projects western boundary and is a continuation of the aeolian dune systems located within the VRX project.

On 1 March 2022, the Mineral Resource estimate was completed at Suvo's Pittong mining operation and reporting in accordance with the 2012 JORC guidelines. The Mineral Resource estimate comprised of Indicated and Inferred Mineral Resource of 5.69Mt of kaolinized granite, yielding 1.97Mt of <45um bright white kaolin with ISO Brightness 80.51 and bleached ISO Brightness of 83.61.

On 7 March 2022, Suvo announced it has received binding commitments from new and existing sophisticated and institutional investors totalling A\$7.5m before costs via a share placement at \$0.085 per share. Participants in the placement will also receive a 1 for 3 free attaching unquoted option, exercisable at \$0.15, expiring 30 June 2023. The Company is also undertaking a share purchase plan to raise up to a further A\$2m under the same terms as the Placement, including the issue of a 1 for 3 free attaching option. The Company will not accept oversubscriptions under the share purchase plan.

Amounts raised will be primarily used to fund the expansion of the Pittong hydrous kaolin plant and also to fast track the completion of project studies on the Company's Western Australian kaolin and silica sand assets.

Apart from matters discussed above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Martin - Executive Chairman

14 March 2022
Perth



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100

F +61 (0) 8 92619111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Suvo Strategic Minerals Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	18
Independent auditor's review report to the members of Suvo Strategic Minerals Limited	19

General information

The financial statements cover Suvo Strategic Minerals Limited as a Group consisting of Suvo Strategic Minerals Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Suvo Strategic Minerals Limited's functional and presentation currency.

Suvo Strategic Minerals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 11, 40 The Esplanade
Perth Western Australia 6000

Principal place of business

3610 Glenelg Hwy
Pittong Victoria 3360

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 March 2022.

Consolidated statement of profit or loss and other comprehensive income

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$	\$
Revenue from continuing operations	3	7,004,333	-
Cost of sales		(5,410,306)	-
Gross profit before depreciation and amortisation		1,594,027	-
Depreciation and amortisation		(84,978)	-
Gross profit after depreciation and amortisation		1,509,049	-
Other income		53,569	24,868
Foreign exchange gain		20,616	-
Expenses			
Share-based payments		(207,504)	(816,548)
Depreciation and amortisation expense		(97,679)	(11,876)
Administration and corporate		(1,596,368)	(830,984)
Loss before income tax expense		(318,317)	(1,634,540)
Income tax expense		-	-
Loss after income tax expense for the half-year		(318,317)	(1,634,540)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(318,317)	(1,634,540)
Loss for the half-year is attributable to:			
Owners of Suvo Strategic Minerals Limited		(318,317)	(1,634,540)
		Cents	Cents
Loss per share for loss attributable to owners of Suvo Strategic Minerals Limited			
Basic earnings per share		(0.05)	(0.37)
Diluted earnings per share		(0.05)	(0.37)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

		Consolidated	
	Note	31 Dec 2021	Restated 30 Jun 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	4,441,748	5,876,550
Trade and other receivables		2,155,366	2,561,676
Inventories	5	1,421,700	1,305,634
Income tax		-	153,769
Other		724,950	206,832
Total current assets		8,743,764	10,104,461
Non-current assets			
Mine properties	9	2,297,912	2,003,726
Mineral interest acquisition and exploration expenditure	7	5,058,772	4,436,938
Property, plant and equipment	6	2,251,972	1,429,803
Right-of-use assets		747,137	264,134
Other		227,789	-
Total non-current assets		10,583,582	8,134,601
Total assets		19,327,346	18,239,062
Liabilities			
Current liabilities			
Trade and other payables		2,169,075	1,825,682
Lease liabilities		407,184	141,546
Provisions		1,004,360	1,048,201
Total current liabilities		3,580,619	3,015,429
Non-current liabilities			
Lease liabilities		769,343	145,227
Provisions	8	2,728,385	2,718,594
Total non-current liabilities		3,497,728	2,863,821
Total liabilities		7,078,347	5,879,250
Net assets		12,248,999	12,359,812
Equity			
Issued capital		31,191,948	31,191,948
Reserves	10	5,849,000	5,641,496
Retained profits		(24,791,949)	(24,473,632)
Total equity		12,248,999	12,359,812

Comparative information has been restated in Note 8 and Note 9 as required by Accounting Standards

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	18,978,136	3,589,660	(22,252,994)	314,802
Loss after income tax expense for the half-year	-	-	(1,634,540)	(1,634,540)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,634,540)	(1,634,540)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	14,323,494	-	-	14,323,494
Share issue costs	(2,109,682)	-	-	(2,109,682)
Share-based payments	-	2,060,255	-	2,060,255
Balance at 31 December 2020	<u>31,191,948</u>	<u>5,649,915</u>	<u>(23,887,534)</u>	<u>12,954,329</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	31,191,948	5,641,496	(24,473,632)	12,359,812
Loss after income tax expense for the half-year	-	-	(318,317)	(318,317)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive (loss) for the half-year	-	-	(318,317)	(318,317)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	207,504	-	207,504
Balance at 31 December 2021	<u>31,191,948</u>	<u>5,849,000</u>	<u>(24,791,949)</u>	<u>12,248,999</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		7,410,643	-
Payments to suppliers and employees		(7,138,083)	(882,604)
Interest received		1,659	871
Income taxes received		153,769	-
Net cash from/(used in) operating activities		427,988	(881,733)
Cash flows from investing activities			
Payment for right to acquire assets		-	(2,154,962)
Payments for exploration and evaluation		(712,473)	(462,937)
Payments for property, plant and equipment		(843,866)	(30,936)
Payments for mine properties		(177,798)	-
Proceeds from sale of financial assets		-	46,941
Receipts from acquisition of entities		-	64,670
Net cash used in investing activities		(1,734,137)	(2,537,224)
Cash flows from financing activities			
Proceeds from issue of shares		-	11,000,000
Payments of share issue costs		-	(528,000)
Repayment of lease liabilities		(128,653)	-
Net cash (used in)/from financing activities		(128,653)	10,472,000
Net (decrease)/increase in cash and cash equivalents		(1,434,802)	7,053,043
Cash and cash equivalents at the beginning of the financial half-year		5,876,550	349,033
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial half-year	4	4,441,748	7,402,076

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Accounting Standard 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Comparative information has been adjusted to confirm changes in presentation of the half-year reporting period, as required by Accounting Standards.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

From 1 July 2021, the Group is organised into three operating segments: Kaolin production, exploration and evaluation and central. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information is reported to the CODM on a monthly basis.

Types of products and services

The principal products and services of the Kaolin operating segment is as follows:

Kaolin production the manufacture and sale of refined Kaolin in Australia and overseas

Major customers

During the half-year ended 31 December 2021 approximately \$3,093,943 of the Group's external revenue was derived from sales to three major Australian customers.

Notes to the financial statements

Operating segment information

	Central \$	Exploration & evaluation \$	Kaolin production \$	31 Dec 2021 Total \$
Revenue				
Sales to external customers	-	-	7,004,333	7,004,333
Total segment revenue	-	-	7,004,333	7,004,333
EBITDA	(1,503,924)	(3,498)	1,371,762	(135,660)
Depreciation and amortisation	(67,560)	(735)	(114,362)	(182,657)
Loss before income tax expense	(1,571,484)	(4,233)	1,257,400	(318,317)
Income tax expense				-
Loss after income tax expense	(1,571,484)	(4,233)	1,257,400	(318,317)
Assets				
Segment assets	1,837,957	5,122,895	12,366,494	19,327,346
Liabilities				
Segment liabilities	1,044,247	84,296	5,949,804	7,078,347

	Central \$	Exploration & evaluation \$	Kaolin production \$	31 Dec 2020 Total \$
Revenue				
Sales to external customers	-	-	-	-
Total segment revenue	-	-	-	-
EBITDA	(1,580,801)	(41,773)	-	(1,622,574)
Depreciation and amortisation	(9,208)	(2,668)	-	(11,876)
Loss before income tax expense	(1,590,009)	(44,441)	-	(1,634,450)
Income tax expense				-
Loss after income tax expense	(1,590,009)	(44,441)	-	(1,634,450)

Note 3. Revenue

	Consolidated	
	31 Dec 2021 \$	31 Dec 2020 \$
<i>From continuing operations</i>		
Revenue from contracts with customers		
Sale of goods	7,004,333	-
Revenue from continuing operations	7,004,333	-

Notes to the financial statements

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Geographical regions</i>		
Australia	4,105,449	-
China	1,109,804	-
Japan	424,690	-
Rest of the World	1,364,390	-
	7,004,333	-

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Cash on hand	400	400
Cash at bank	3,510,348	4,985,150
Cash in term deposit - restricted ¹	931,000	891,000
	4,441,748	5,876,550

¹ Restricted cash includes the following held in short-term deposits; \$710,000 rehabilitation bond, \$150,000 payroll service guarantee, \$31,000 rental guarantee and \$40,000 bank card guarantee.

Note 5. Current assets - inventories

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Raw materials	707,954	765,457
Packaging	296,190	208,972
Work in progress	45,295	72,587
Finished goods	372,261	258,618
	1,421,700	1,305,634

Notes to the financial statements

Note 6. Non-current assets - property, plant and equipment

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings \$	Leasehold improvement \$	Plant and equipment \$	Total \$
Balance at 1 July 2021	705,529	211,963	512,311	1,429,803
Additions	-	-	945,106	945,106
Disposals	-	-	(1,276)	(1,276)
Depreciation expense	(97,847)	(10,963)	(12,851)	(121,661)
Balance at 31 December 2021	607,682	201,000	1,443,290	2,251,972

Note 7. Non-current assets - mineral interest acquisition and exploration expenditure

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Mineral interest acquisition and exploration expenditure - at cost	5,058,772	4,436,938

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration and evaluation \$	Total \$
Balance at 1 July 2021	4,436,938	4,436,938
Transfer to mine properties	(92,555)	(92,555)
Additions	714,389	714,389
Balance at 31 December 2021	5,058,772	5,058,772

Note 8. Non-current liabilities - provisions

	Consolidated Restated	
	31 Dec 2021 \$	30 Jun 2021 \$
Long service leave	35,748	33,294
Rehabilitation	2,692,637	2,685,300
	2,728,385	2,718,594

Notes to the financial statements

Rehabilitation

The provision represents the present value of estimated costs for future rehabilitation of land explored or mined by the Group at the end of the exploration or mining activity.

Movements in rehabilitation provision

Movements in the rehabilitation provision during the current half-year, is set out below:

	Rehabilitation Provision \$	Total \$
Balance at 1 July 2021	3,458,515	3,458,515
Adjustment under provisional accounting (note 11)	(773,215)	(773,215)
Balance at 1 July 2021	2,685,300	2,685,300
Unwinding of discount	7,337	7,337
Carrying amount at the end of the year	2,692,637	2,692,637

As disclosed in note 13, on 1 January 2021, the Company acquired the holding Company of the Australian Kaolin operations of Imerys S.A., Mircal Australia Pty Ltd, and its two wholly owned subsidiaries, Kaolin Australia Pty Ltd and Imerys Minerals Australia Pty Ltd. From this transaction, the Company acquired a provision of \$3,848,323 for the site rehabilitation at the Pittong and Lal Lal mines and Trawalla deposit. In accordance with Accounting Standards, the provision has been presently valued.

Note 9. Non-current assets - mine properties

	Consolidated 31 Dec 2021 \$	Restated 30 June 2021 \$
Mining properties - at cost	2,297,912	2,776,941

Reconciliations

Movements in the carrying amount during the current half-year, is set out below:

	Mining Reserves \$	Rehabilitation Asset \$	Total \$
Balance at 1 July 2021	597,110	2,179,831	2,776,941
Adjustment under provisional accounting (note 11)	-	(773,215)	(773,215)
Balance at 1 July 2021	597,110	1,406,616	2,003,726
Transfer from mineral interest acquisition and exploration expenditure	92,555	-	92,555
Additions	177,799	-	177,799
Adjustment under provisional accounting (note 11)	-	108,000	108,000
Amortisation expense	(36,111)	(48,057)	(84,168)
Balance at 31 December 2021	831,353	1,466,559	2,297,912

Note 10. Equity - reserves

	Consolidated 31 Dec 2021 \$	30 Jun 2021 \$
Share based payments	5,849,000	5,641,496

Notes to the financial statements

Reconciliations

Movements in equity reserves during the current half-year, is set out below:

	Performance Rights \$	Option Reserve \$	Total \$
Balance at 1 July 2021	-	5,641,496	5,641,496
Share-based payments	207,504	-	207,504
Balance at 31 December 2021	207,504	5,641,496	5,849,000

Share based payments reserve

The reserve is used to recognise increments and decrements in the fair value of share based payments. The amounts recognised in relation to performance rights during the period takes into account the probabilities of vesting criteria being met and the expected vesting date, with the unrecognised amount to be expensed over the vesting period. The expense realised in respect to performance rights is intended to reflect the best available estimate of the number of performance rights expected to vest.

No options were issued or expired during the current half-year. On 7 August 2021, 13,500,000 performance rights lapsed with no corresponding dollar impact. Movements in equity reserves during the current half-year relate to performance rights granted during the period.

For the performance granted during the current half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Tranche	Total	Fair value at grant date	Issue date	Vesting period	Expiry period
5-Oct-21	24-Nov-26	A	1,100,000	\$0.15	24-Nov-21	12 months	60 months
17-Nov-21	24-Nov-26	A-1	5,200,000	\$0.15	24-Nov-21	12 months	60 months
5-Oct-21	24-Nov-26	B	500,000	\$0.15	24-Nov-21	24 months	60 months
17-Nov-21	24-Nov-26	B-1	5,200,000	\$0.15	24-Nov-21	24 months	60 months
5-Oct-21	24-Nov-26	C	500,000	\$0.15	24-Nov-21	24 months	60 months
17-Nov-21	24-Nov-26	C-1	5,200,000	\$0.15	24-Nov-21	24 months	60 months
5-Oct-21	24-Nov-26	D	600,000	\$0.15	24-Nov-21	12 months	12 months
16-Nov-21	24-Nov-26	D-1	750,000	\$0.14	24-Nov-21	12 months	12 months
5-Oct-21	24-Nov-26	E	600,000	\$0.15	24-Nov-21	18 months	18 months
16-Nov-21	24-Nov-26	E-1	750,000	\$0.14	24-Nov-21	18 months	18 months

Performance milestones

Performance rights Tranche A and Tranche A-1 will convert into ordinary shares on a one-for-one basis upon the satisfaction of the following milestones:

- a. achieving refined Kaolin production of at least 25kt across any 12 month period commencing on or after the date of issue and ending within 5 years after the date of issue.

Performance rights Tranche B and Tranche B-1 will convert into ordinary shares on a one-for-one basis upon the satisfaction of the following milestones:

- a. achieving refined Kaolin production of at least 27.5kt across any 12 month period commencing on or after the date of issue and ending within 5 years after the date of issue.

Performance rights Tranche C and Tranche C-1 will convert into ordinary shares on a one-for-one basis upon the satisfaction of the following milestones:

- a. achieving refined Kaolin production of at least 30kt across any 12 month period commencing on or after the date of issue and ending within 5 years after the date of issue.

Performance rights Tranche D and Tranche D-1 will convert into ordinary shares on a one-for-one basis upon the satisfaction of the following milestones:

- a. 12 months continuous service from date of issue.

Performance rights Tranche E and Tranche E-1 will convert into ordinary shares on a one-for-one basis upon the satisfaction of the following milestones:

- a. 18 months continuous service from date of issue.

From 20,400,000 performance rights issued in current half-year, 15,600,000 performance rights were issued to related parties (A-1, B-1 and C-1).

Notes to the financial statements

Note 11. Business combinations

On 1 January 2021, Suvo Strategic Minerals Limited acquired the holding Company of the Australian Kaolin operations of Imerys S.A., Mircal Australia Pty Ltd, and its two wholly owned subsidiaries, Kaolin Australia Pty Ltd (the owner of the Pittong and Lal Lal mines and Trawalla deposit) and Imerys Minerals Australia Pty Ltd (the owner of the Pittong processing plant). The mining operations are located west of the township of Ballarat, Victoria, and consist of Australia's only operating wet kaolin processing plant, two active kaolin mine deposits and one unused mine deposit.

As part of the conditions to acquire the business, Suvo Strategic Minerals Limited changed the names of the two group entities. Imerys Minerals Australia Pty Ltd was renamed Suvo Minerals Australia Pty Ltd and Mircal Australia Pty Ltd was renamed Suvo Australia Pty Ltd. The third group entity, Kaolin Australia Pty Ltd retained its name.

Management has determined that this acquisition meets the definition of a business within AASB 3 Business Combinations. This transaction has therefore been accounted for as a business combination.

Acquisition agreement

Per the Share Purchase Agreement, the consideration payable was A\$2.00 million subject to completion adjustments. A\$2.00 million was paid on 31 December 2020. The final payment occurred on 21 June 2021 upon completion of all balance sheet adjustments bringing the total consideration paid to A\$3.08 million.

Details of the purchase consideration and the net assets acquired

	1 January 2021 \$
Purchase consideration paid by Suvo Strategic Minerals Limited to acquire Mircal Australia Pty Ltd and its wholly owned subsidiaries:	
Cash consideration paid on acquisition date	2,000,000
Deferred cash consideration paid during the period subject to all balance sheet adjustments	1,083,602
	<u>3,083,602</u>

	1 January 2021 \$
The fair value of assets and liabilities recognised as a result of the acquisition are outlined below:	
Cash and cash equivalents	1,194,647
Trade and other receivables	2,308,947
Inventories	1,054,611
Other assets	116,998
Property, plant and equipment	1,499,407
Mine properties	2,153,567
Total assets	<u>8,328,177</u>
Trade and other payables	1,901,310
Other current liabilities	652,359
Other non-current liabilities	2,690,906
Total liabilities	<u>5,244,575</u>
Net assets	<u>3,083,602</u>

The acquisition has been accounted for on a provisional basis at 30 June 2021. During the half-year, new information was obtained about facts and circumstances that existed at the date of acquisition as such the accounting for the acquisition was revised.

Notes to the financial statements

Measurement period adjustment and comparative information restatement

During the half-year ended 31 December 2021, the Company finalised its assessment of the assets and liabilities acquired. This resulted in a decrease to the provision for rehabilitation and decrease in the corresponding rehabilitation asset in the consolidated statement of financial position. From the total adjustment of \$1,197,328, \$424,112 was adjusted at 30 June 2021 based on the facts and circumstances that existed, before an additional adjustment of \$773,215 during the half-year ended 31 December 2021. The 30 June 2021 figures are restated as disclosed in note 8 and note 9.

Extract of line items impacted are disclosed below.

Amortisation of mine properties has been adjusted in the current half-year as outlined in note 9.

	Reported 1-Jan-2021 \$	Adjustments \$	Restated 1-Jan-2021 \$
Mine properties	3,297,797	(1,144,230)	2,153,567
Total assets	9,472,407	(1,144,230)	8,328,177
Other current liabilities	599,261	53,098	652,359
Other non-current liabilities	3,888,234	(1,197,328)	2,690,906
Total liabilities	6,388,805	(1,144,230)	5,244,575
Net assets	3,083,602	-	3,083,602

Note 12. Commitments

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	624,401	213,800
	624,401	213,800

Note 13. Fair value measurement

Fair value hierarchy

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting period. Their carrying value of financial assets and financial liabilities are considered to be a reasonable approximation of their fair value. There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 14. Contingent liabilities

As at the date of this report there are no claims or contingent liabilities.

Notes to the financial statements

Note 15. Events after the reporting period

On 12 January 2022, Suvo announced that it has extended a major supply agreement with Norske Skog Boyer until December 2024. The agreement covers supply of Suvo's hydrous kaolin products for up to and above 25,500t over the term.

On 17 January 2022, Suvo announced that it has adopted an Environmental, Social and Governance (ESG) framework focusing on key ESG metrics and disclosures based on leading global ESG standards. In conjunction with the launch of this initiative, Suvo has established an independent ESG committee and appointed ESG specialist ESG+F Pty Ltd (ESG+F) to oversee the execution of its ESG strategy.

Suvo's priority is to develop a resilient and sustainable business that is equipped to respond to a constantly changing environment. With climate volatility, nature loss, and the Covid-19 pandemic as recent examples of the evolving world in which we operate. Suvo's Board is continuously seeking to improve how we incorporate climate-related and other sustainability-related risks in our overall risk management framework.

On 20 January 2022, Suvo announced the proposed acquisition of mining tenement E70/4981, a highly prospective silica sand project near Muchea, north of Perth, Western Australia subject to the necessary approvals, including shareholder approval.

The Muchea Project is strategically located adjacent to Brand Highway with rail connections to the Kwinana port facility for bulk handling. The Company has undertaken a desk top due diligence review which indicates the potential proceptivity of the Project. The Project adjoins VRX Silica's (ASX:VRX) Muchea Silica Sand Projects western boundary and is a continuation of the aeolian dune systems located within the VRX project.

On 1 March 2022, the Mineral Resource estimate was completed at Suvo's Pittong mining operation and reporting in accordance with the 2012 JORC guidelines. The Mineral Resource estimate comprised of Indicated and Inferred Mineral Resource of 5.69Mt of kaolinized granite, yielding 1.97Mt of <45um bright white kaolin with ISO Brightness 80.51 and bleached ISO Brightness of 83.61.

On 7 March 2022, Suvo announced it has received binding commitments from new and existing sophisticated and institutional investors totalling A\$7.5m before costs via a share placement at \$0.085 per share. Participants in the placement will also receive a 1 for 3 free attaching unquoted option, exercisable at \$0.15, expiring 30 June 2023. The Company is also undertaking a share purchase plan to raise up to a further A\$2m under the same terms as the Placement, including the issue of a 1 for 3 free attaching option. The Company will not accept oversubscriptions under the share purchase plan.

Amounts raised will be primarily used to fund the expansion of the Pittong hydrous kaolin plant and also to fast track the completion of project studies on the Company's Western Australian kaolin and silica sand assets.

Apart from matters discussed above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 16. Dividends

There were no dividends paid, recommended or declared during the period.

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Martin
Executive Chairman

14 March 2022
Perth



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SUVO STRATEGIC MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Suvo Strategic Minerals Limited which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Suvo Strategic Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Suvo Strategic Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

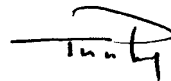
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Suvo Strategic Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2022