

ASX ANNOUNCEMENT

28 JULY 2022

Quarterly Activities Report

For the quarter ended 30 June 2022

Australian kaolin producer and silica sand exploration company **Suvo Strategic Minerals Limited (ASX: SUV)** ('Suvo or the Company'), is pleased to provide a summary of activities for the quarter ended 30 June 2022.

HIGHLIGHTS

Cash at bank of A\$8.94m at 30 June 2022

A\$3.86m of revenue receipts in the quarter, net cashflow from operations \$217k

Cooperation agreement signed with C&D Logistics Group

Gabbin trial produces high reactivity metakaolin

Materials Transfer Agreement signed with ASX-listed Calix to accelerate metakaolin green cement supply from Pittong

Curtin University investigates green cement application

Pittong mining licence MIN5408 renewal application approved (subsequent to quarter end)

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Henk Ludik
NON-EXECUTIVE CHAIRMAN

Oliver Barnes
NON-EXECUTIVE DIRECTOR

Dr Ian Wilson
NON-EXECUTIVE DIRECTOR

Aaron Banks
EXECUTIVE DIRECTOR

Commercial update

Pittong operations

Suvo's Pittong hydrous kaolin operations receipted A\$3.86 million of revenue in the quarter, generating net cashflow from operations of A\$0.217 million.

The Company's earnings growth strategy aims to increase the weighted average value of products sold from Pittong along with diversifying the product basket toward premium end markets such as the cosmeceutical and pharmaceutical sectors.

Significant steps are being taken, including research and development trials, to expand the conversion of kaolin into value-adding metakaolin and high reactivity metakaolin (HRM). The latter is predominantly imported to Australia at US\$530/tonne to \$US840/tonne¹.

Importantly, the Pittong plant capacity expansion from ~25ktpa up to ~60ktpa is well underway. Shortly after the Company completed its Executive and Board transition in late March of the previous quarter, a plant upgrade optimisation review commenced. This optimisation review is a critical work stream for Suvo, and its outcomes will ensure that the Company has methodically analysed every facet of the upgrade. With the optimisation review nearing completion, the Company looks forward to updating the market in the short term.

Cooperation agreement signed with C&D Logistics Group

Suvo signed a non-binding cooperation agreement in May 2022 with C&D Logistics Group Co Ltd (C&D), a subsidiary of Global Fortune 500 company Xiamen C&D.

The agreement will see Suvo and C&D seek to negotiate a Sales and Purchase (Offtake) Agreement in good faith, with a target minimum offtake of 80,000tpa of hydrous calcined kaolin.

The products delivered under any offtake agreement could be produced from the Company's existing Pittong operation and/or other kaolin projects.

Suvo and C&D will continue to negotiate in good faith to enter any further contracts.

Research partnerships

Gabbin trial produces high reactivity metakaolin

Suvo produced a bulk sample of high reactivity metakaolin (HRM) from its 100 per cent owned Gabbin kaolin deposit in Western Australia.

The sample was prepared by global cement technology specialist FLSmidth using its flash calciner, at its Bethlehem laboratory in the United States.

¹ Source: First Test Minerals 25 March 2022

While the commonly defined indicator of acceptable performance for HRM is based on a 90 per cent total of silicon dioxide, aluminium oxide and iron oxide, the Gabbin HRM product was measured at 97.8 per cent, showing equivalent or better quality than other metakaolin products currently sold.

Suvo signs agreement with Calix to accelerate metakaolin green cement supply

In April Suvo entered a Materials Transfer Agreement with ASX-listed Calix (ASX:CXL) to assist Suvo in accelerating its metakaolin green cement supply initiative from Pittong. Under the Company's newly formed Continuous Improvement Program, it identified Calix had successfully produced 20 tonnes of metakaolin from Pittong clay obtained from the mine's previous Imerys ownership.

The Agreement aims to calcine kaolin supplied from Pittong and create market ready metakaolin samples, using Calix's cutting-edge calcination technology ([see video here](#)). Metakaolin is a supplementary cementitious replacement for clinker, a key ingredient in cement production. Studies have shown that increasing the percentage of metakaolin used in cement has the potential to reduce the carbon intensity of cement by up to 40%².

Curtin University investigates green cement application

In March of the previous quarter, Suvo announced an engagement with Curtin University to investigate potential for kaolin to be used as a pozzolan for creating green cement. Led by Senior Lecturer of the School of Civil and Mechanical Engineering Dr Thong Pham, high reactivity metakaolin (HRM) sourced from Gabbin will be tested as a sustainable solution to help decarbonise cement, the production of which accounts for 8% of global CO2 emissions.

Investigations and trials will cover the commercial potential of HRM in the cement and concrete industry, technical benefits that HRM can bring when applied to cement and concrete, and life cycle assessments of HRM-based concrete products.

The Company will update the market once Phase 1 of the Curtin University research report is completed.

Material events after quarter end

In July 2022 the Pittong mining licence renewal application was approved by Victoria's Earth Resources Regulation, Department of Jobs, Precincts and Regions (DJPR).

Approval by the regulator extends the Pittong mining licence held by Kaolin Australia Pty Ltd, a wholly owned subsidiary of the Company, to December 2045.

The renewal follows the Company's recently announced maiden 2012 JORC guidelines mineral resource estimate at Pittong, which is located only 2km from the Company's kaolin processing facility.

² https://bze.org.au/research_release/rethinking-cement/

This approval will support Suvo's ongoing capital investment into the Pittong operations and will enable Suvo to continue playing a part in the local community as a responsible corporate citizen for years to come.

Disclosure Requirements

ASX Listing Rule 4.7C.3

During the quarter the following payments were made to related parties;

- \$0.088 million to Directors for Salaries and Wages
- \$0.135 million to a Company related to Directors, Mr Oliver Barnes and Mr Henk Ludik, for executive services
- \$0.045 million to a Company related to Directors, Mr Oliver Barnes and Mr Henk Ludik, to provide ESG support and implementation services
- \$0.010 million to a Company related to Director, Dr Ian Wilson, for preparing JORC report on Mt Marshall Kaolin deposit (Gabbin)

ASX Listing Rule 5.3.3

The Company holds the following tenements at the end of the quarter:

TENEMENT	PROJECT	OWNERSHIP	CHANGE
E70/5039	Gabbin Kaolin	100%	Nil
E70/5332	Gabbin Kaolin	100%	Nil
E70/5333	Gabbin Kaolin	100%	Nil
E70/5334	Gabbin Kaolin	100%	Nil
E70/5517	Gabbin Kaolin	100%	Nil
E70/5324	Eneabba Silica Sand	100%	Nil
E70/5001	Eneabba Silica Sand	100%	Nil
E70/5322	Eneabba Silica Sand	100%	Nil
E70/5323	Eneabba Silica Sand	100%	Nil
M5408	Pittong Kaolin	100%	Nil
M5409	Trawalla Kaolin	100%	Nil
M5365	Lal Lal Kaolin	100%	Nil

E = Exploration License (granted)

M = Mining Lease (granted)

ASX Listing Rule 5.3.4

A comparison of the Company's actual expenditure to 30 June 2022, against planned expenditure disclosed in the use of funds statement contained in the Company's prospectus dated 5 August 2020, is shown in the table below:

	PROSPECTUS (\$000s)	ACTUAL (\$000s)	VARIANCE (\$000s)
Existing cash reserves	922	922	-
Funds raised from public offer	5,000	5,000	-
Total Sources	5,922	5,922	-
Exploration of Eneabba silica sand project	1,172	753	(419)
Exploration of Gabbin kaolin project	1,298	1,158	(140)
Development of Eneabba silica sand project	963	-	(963)
Development of Gabbin kaolin project	667	50	(617)
Working capital and administration costs	1,261	4,507	3,246
Expenses of the public offer	561	437	(124)
Total Uses	5,922	6,905	983

Note:

1. The above table shows the intended use of funds in a two-year period following the Company's successful re-admission to the ASX on 6 August 2020, compared to actual expenditure from re-admission up to 30 June 2022.

2. The actual expenditure incurred to 30 June 2022, includes only exploration and development costs related to the Eneabba and Gabbin projects, including any working capital, administration and offer costs, consistent with those included and tabulated in the Company's use of funds within the Company's Prospectus dated 5 August 2020.

Correspondingly, any costs related to the Pittong hydrous kaolin mining operations have been excluded from the total uses in the table above as the Pittong acquisition was subsequent to the aforementioned prospectus, and therefore should be excluded for the purposes of compliance with Listing Rule 5.3.4.

3. The Company does not allocate administration costs between its various exploration and operating entities. Correspondingly, administration costs incurred as shown in the table include costs incurred for the Pittong hydrous kaolin mining operations. This has resulted in an increase in actual against budget (Prospectus) in this category.

-ENDS-

For further information please contact

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Company Profile

Suvo Strategic Minerals Limited is an Australian hydrous kaolin producer and exploration company listed on the Australian Securities Exchange (ASX:SUV). Suvo is focused on production at, and expansion of, their 100% owned Pittong hydrous kaolin operation located 40km west of Ballarat in Victoria. Suvo's exploration focus is on near-term kaolin and high purity silica assets with 100% owned Gabbin (kaolin), Eneabba and Muchea (silica sands) projects located in Western Australia.

Pittong Operations

The 100% owned Pittong Operations, located in Victoria 40km west of Ballarat, is the sole wet kaolin mine and processing plant in Australia and has been in operation since 1972. Pittong comprises the Pittong, Trawalla and Lal Lal deposits located on approved Mining Licences MIN5408, MIN5365 and MIN5409 respectively.

At Pittong mining contractors deliver crude kaolin ore to stockpiles from the two currently operating mines, Pittong and Lal Lal. The plant takes its feedstock from the ROM and it is processed into four separate product forms for end users. These product forms are 10% moisture lump, high solids slurry, 1% moisture powder and 1% moisture pulverised powder. The solids slurry is used in paper and board manufacturing. The other products are used in paper, coatings, paint and specialist industries including rubber and pharmaceutical applications. Around 20-25kt per annum is supplied to various end users.

Gabbin Kaolin Project

The 100% owned Gabbin Kaolin Project (White Cloud) is located 215km northeast of Perth, Western Australia. The project area comprises four granted exploration licences (E70/5039, E70/5332, E70/5333, E70/5517) for 413km², centred around the town and rail siding of Gabbin. The generally flat area is primarily cleared farming land devoid of native bushland and is currently used for broad-acre cereal cropping. A mining access agreement is in place over the current resource area with the landowner and occupier.

The main rock types at Gabbin are primarily Archaean granite, gneiss, and migmatite. These rocks are overlain and obscured by Tertiary sand and Quaternary sheetwash. The weathering profile is very deep and contains thick kaolin horizons capped by mottled clays or laterite zones. The current JORC 2012 Mineral Resources are 72.5Mt of bright white kaolinised granite with an ISO Brightness of 80.5%.

Eneabba Silica Sands Project

The 100% owned Eneabba Silica Sands Project is located 300km north of Perth, Western Australia. The project comprises four granted exploration licences (E70/5001, E70/5322, E70/5323, E70/5324) for 169km². The project is located on the Eneabba Plain whose sandy cover is very flat to gently undulating. Outcrop is rare due to the accumulations of windblown and alluvial sand at surface. Below this is a thin hard silcrete or lateritic claypan which overlies deep white and yellow sands. Preliminary exploration has included 54 drillholes for 1,620 metres to depths of up to 30m. This program is anticipated to deliver an initial resource for the project and a process route.

Appendix 5B

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

Name of entity

Suvo Strategic Minerals Limited

ABN

97 140 316 463

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,686	14,542
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(2,240)	(11,559)
	(d) staff costs	(258)	(1,142)
	(e) administration and corporate costs	(1,007)	(2,328)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	16
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	32	32
1.8	Other (income tax refunds)	-	154
1.9	Net cash from / (used in) operating activities	217	(285)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(670)	(2,539)
	(d) exploration & evaluation	(129)	(1,295)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(799)	(3,834)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	566	8,066
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(74)	(526)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(113)	(355)
3.10	Net cash from / (used in) financing activities	379	7,185

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,146	5,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	217	(286)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(799)	(3,834)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	379	7,185

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,943	8,943

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,688	8,267
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (cash held in term deposit)	2,255	879
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,943	9,146

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	268
6.2	Aggregate amount of payments to related parties and their associates included in item 2	10
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	217
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(129)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	88
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,943
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,943
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.