

SUVO STRATEGIC MINERALS LIMITED
(Formerly Ultracharge Limited)

ABN 97 140 316 463

**Interim Financial Report for the Half-Year
Ended 31 December 2020**

The information contained in this report is to be read in conjunction with Suvo Strategic Minerals Limited's 2020 Annual Report and any announcements to the market by Suvo Strategic Minerals Limited during the half-year period ended 31 December 2020.

Directors' report

Your Directors submit the financial report for the company for the half-year ended 31 December 2020.

Directors

The names of the directors who held office during or since the end of the half-year:

Mr Robert Martin – Executive Chairman (appointed 30 July 2020)

Mr Aaron Banks – Executive Director (appointed 30 July 2020)

Mr Leonard Troncone – Non-Executive Director (appointed 30 July 2020)

Dr Ian Wilson – Non-Executive Director (appointed 01 September 2020)

Mr Kobi Ben-Shabat – Managing Director (resigned 30 July 2020)

Mr Anthony Brown – Non-Executive Director (resigned 30 July 2020)

Mr John Paitaridis – Non-Executive Director (resigned 30 July 2020)

Review of Operations

RESULTS OF OPERATIONS

During the half year ended 31 December 2020, Suvo Strategic Minerals Ltd (**the Company or Suvo**) reported a net loss after tax attributable to the members of Suvo Strategic Minerals Limited of \$1,634,540 (31 December 2019: \$1,120,408).

The Company restructured its board and management following the acquisitions of Watershed Enterprise Solutions Pty Ltd ("Watershed"), holder of exploration licence E70/5001, and Mt Marshall Kaolin ("Mt Marshall"), holder of exploration licence E70/5039 (together the **Acquisitions**). This marked the Company's diversification into resource exploration and evaluation.

Corporate

In July 2020 the Company completed the buy-back of 3 million ordinary shares from ETV Energy Limited. The shares were issued initially in consideration for a licence of intellectual property granted to the Company in May 2018. The consideration for the shares buy-back was the cancellation of the licence agreement.

On 7 August 2020 the Company was officially reinstated to the ASX board. The re-listing followed the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company's re-listing was gained as a result of a A\$5 million capital raising via a public offer and the completion of the Acquisitions. Under the public offer, the Company issued 250 million ordinary shares at A\$0.02 each, raising A\$5 million before costs.

The Company completed the acquisition of 100% of the share capital of Mt Marshall via the issue of 75,000,000 ordinary shares to the vendors. The Company completed the acquisition of 100% of the share capital of Watershed via the issue of 75,000,000 ordinary shares to the vendors.

In addition, the Company issued the following securities:

- 8,750,000 Mt Marshall loan ordinary shares;
- 7,419,677 ordinary shares to two incoming directors;
- 40,000,000 performance rights to incoming directors;
- 11,250,000 share options to incoming directors;
- 45,616,903 share options to the lead manager of the public offer; and
- 45,000,000 share options to advisors of the capital raising and acquisition of Mt Marshall and Watershed.

Upon completion of the public offer and re-listing, the exiting board of directors resigned and was replaced by the incoming board of directors consisting of Robert Martin, Aaron Banks and Leonard Tronccone. In addition, the Company changed its name to Suvo Strategic Minerals Limited and its ASX ticker code to "SUV".

On 31 December 2020 Suvo 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 Company paid \$2million cash to the vendor on completion which occurred on 31 December 2020. Control of Mircal Australia Pty Ltd and its two subsidiaries occurred on 1 January 2021.

In conjunction with the acquisition, Suvo raised A\$6 million (before costs) via a placement to institutional, sophisticated, and professional investors of 60 million ordinary shares at \$0.10 per share. The share placement was completed and the shares were issued on 31 December 2020. The Company engaged Canaccord Genuity to act as lead manager to the Placement. Canaccord Genuity and the Co-Lead Managers in aggregate received:

- A fee of 6% of the gross proceeds raised under the placement; and
- 12,000,000 unquoted options with an exercise price of \$0.15 and an expiry date of 31 December 2023.

The Company received shareholder approval for the acquisition, the placement of shares and the granting of Advisor options in the general meeting held on 23 December 2020.

COVID-19 Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes in this report, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Subsequent Events

The Company settled the acquisition of Imerys' Australian hydrous kaolin operations on 31 December 2020 and assumed control of the business effective 1 January 2021.

Other than the matters noted above, the board of directors is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Board of Directors:



Leonard Tronccone
Director
Dated 23 February 2021

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF SUVO STRATEGIC MINERALS LIMITED

As lead auditor for the review of Suvo Strategic Minerals Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Suvo Strategic Minerals Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2021

Consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2020

	Note	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Other income		23,997	-
Interest received		871	30
Financing Costs		(905)	-
Depreciation		(11,876)	-
Share-based payments	12	(816,548)	-
Administration and corporate expenses		(830,079)	(514,199)
Fair value loss on financial asset held at fair value		-	(3,687)
Option fee expense		-	(300,000)
Loss before income tax from continuing operations		(1,634,540)	(817,856)
Income tax expense		-	-
Loss after tax from continuing operations		(1,634,540)	(817,856)
Loss from discontinued operations		-	(302,552)
Net loss		(1,634,540)	(1,120,408)
Other comprehensive income/(expense) for the period			
<i>Items that may be reclassified through profit or loss</i>			
Exchange differences on translating discontinued foreign operations		-	150,148
Total comprehensive loss for the period		(1,634,540)	(970,260)
Total comprehensive loss attributable to members of Suvo Strategic Minerals Limited		(1,634,540)	(970,260)
Loss per share for the half-year attributable to the members of Suvo Strategic Minerals Ltd (cents per share)		(0.004)	(0.010)
Diluted loss per share for the half-year attributable to the members of Suvo Strategic Minerals Ltd (cents per share)		(0.004)	(0.010)

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

Consolidated statement of financial position

as at 31 December 2020

		As at 31 December 2020 \$	As at 30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		7,402,076	349,033
Trade and other receivables		38,889	91,694
Financial assets held at fair value		-	26,097
Other current assets		52,240	-
TOTAL CURRENT ASSETS		7,493,205	466,824
Non-Current Assets			
Plant and equipment		33,202	-
Right to acquire asset	7	2,154,962	-
Right to use asset	8	189,156	-
Exploration and evaluation	6	3,673,075	-
TOTAL NON-CURRENT ASSETS		6,050,395	-
TOTAL ASSETS		13,543,600	466,824
LIABILITIES			
Current Liabilities			
Trade and other payables		385,488	152,022
Employee entitlements provisions		14,276	-
Lease Liability	8	78,619	-
TOTAL CURRENT LIABILITIES		478,383	152,022
Non-Current Liabilities			
Lease liability	8	110,888	-
TOTAL NON-CURRENT LIABILITIES		110,888	-
TOTAL LIABILITIES		589,271	152,022
NET ASSETS		12,954,329	314,802
EQUITY			
Contributed equity	9	31,191,948	18,978,136
Other reserves		5,649,915	3,589,660
Accumulated losses		(23,887,534)	(22,252,994)
TOTAL EQUITY		12,954,329	314,802

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

Consolidated statement of changes in equity

for the half-year ended 31 December 2020

	Note	Contributed equity \$	Accumulated Losses \$	Foreign Exchange Reserve \$	Share Based Payments Reserve \$	Total \$
Balance as at 1 July 2019		18,831,305	(20,584,289)	(113,001)	3,589,660	1,723,673
Loss attributable to members of entity for the half year ended 31 December 2019		-	(1,154,515)	-	-	(1,154,515)
Other comprehensive income		-	-	154,719	-	154,719
Total comprehensive loss for the half year		-	(1,154,515)	154,719	-	(999,796)
Transactions with owners in their capacity as owners						
Issue of share capital		146,831	-	-	-	146,831
Share based payments		-	-	-	-	-
As at 31 December 2019		18,978,136	(21,738,804)	41,718	3,589,660	870,709
Balance as at 1 July 2020		18,978,136	(22,252,994)	-	3,589,660	314,802
Loss attributable to members of entity for the half year ended 31 December 2020		-	(1,634,540)	-	-	(1,634,540)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the half-year		-	(1,634,540)	-	-	(1,634,540)
Transactions with owners in their capacity as owners						
Issue of share capital	9	14,323,494	-	-	-	14,323,494
Share issue costs	9	(2,109,682)		-	-	(2,109,682)
Share based payments		-		-	2,060,255	2,060,255
As at 31 December 2020		31,191,948	(23,887,534)	-	5,649,915	12,954,329

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

Consolidated statement of cash flows

for the half-year ended 31 December 2020

	Note	Half-Year ended 31 December 2020 \$	Half-Year ended 31 December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(882,604)	(585,595)
Payments for research		-	(67,813)
Return of deposit		-	28,029
Payment of option fees		-	(3,000,000)
Interest received		871	30
Net cash flows used in operating activities		(881,733)	(925,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial asset		46,941	-
Cash received from acquisition of entities		64,670	-
Purchase of plant and equipment		(30,936)	-
Payments for exploration and evaluation		(462,937)	-
Payment for right to acquire asset		(2,154,962)	-
Net cash flows used in investing activities		(2,537,224)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		11,000,000	47,945
Payment of share issue costs		(528,000)	-
Net cash flows from financing activities		10,472,000	47,945
Net increase in cash and cash equivalents		7,053,043	(877,409)
Cash and cash equivalents at beginning of financial period		349,033	2,014,870
Net foreign exchange differences		-	156
Cash and cash equivalents at end of financial period		7,402,076	1,137,616

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

Notes to the financial statements for the half year ended 31 December 2020

Note 1: Statement of significant accounting policies

This condensed interim financial report for the half-year reporting period ended 31 December 2020 is a condensed general purpose financial report prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Suvo Strategic Minerals Limited prepared in accordance with International Financial Reporting Standards (IFRS), for the year ended 30 June 2020 and any public announcements made by Suvo Strategic Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial report was authorised for issue by the Directors on 23 February 2021.

The Directors have elected to change the Group's presentation currency from United States (US) dollars to Australian dollars ("A\$") effective from 1 July 2020. The change in presentation currency is a voluntary change which is accounted for retrospectively. The financial report has been restated to Australian dollars using the procedures outlined below:

1. Income Statement and Statement of Cash Flows have been translated into Australian dollars using average foreign currency rates prevailing for the relevant period.
2. Assets and liabilities in the Statement of Financial Position have been translated into Australian dollars at the closing foreign currency rates on the relevant balance sheet dates.
3. The equity section of the Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, have been translated into Australian dollars using historical rates.
4. Earnings per share and dividend disclosures have also been restated to Australian dollars to reflect the change in presentation currency.

The functional currency of the Parent and material subsidiaries is Australian dollars.

Adoption of new and revised Accounting Standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 6 *Exploration for and Evaluation of Mineral Resources*.

The impact of the adoption of these standards and the new accounting policies are disclosed in below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest is continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. The asset or cash-generating unit is then written down to its recoverable amount.

Any

impairment losses are recognised in the income statement.

Asset Acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

Basis of Preparation

Use of estimates and judgements

The preparation of financial statements in conformity requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Control of Subsidiary

As disclosed in note 7, the company acquired 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. Consideration was paid to the vendor on 31 December 2020, however control of the business did not pass to the company until 1 January 2021. Accordingly the acquisition date of the transactions is deemed to be 1 January 2021 and the results of the operations will be consolidated as of that date.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Performance Shares

The Performance Shares convert into fully paid ordinary shares on the achievement of any of the JORC Resource and feasibility study milestones detailed in note 12 being achieved within the specified timeframes. If none of the milestones are satisfied by the specified timeframes, the Performance Shares will be redeemed by the Company for nil cash consideration on the day after the Group publishes its financial accounts for the financial year ending 30 June 2023.

For remuneration purposes the value is the number of performance granted, multiplied by the share price at date of grant. As at 31 December 2020, these performance shares have not converted into fully paid ordinary shares, with no expense recognised in respect of these performance shares as a 0% probability has been assigned to meeting any of the milestones.

Going concern basis of accounting

For the half-year ended 31 December 2020 the Group recorded a loss of \$1,634,540 (2019: \$1,120,408) and had net cash outflows from operating activities of \$881,733 (2019: \$925,354). On 31 December 2020 the Company raised \$6 million from issue of 60 million ordinary shares at \$0.10. The Group currently has sufficient cash resources to fund its operations for the foreseeable future. The directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the Group's working capital requirements and as at the date of this report.

Note 2: Segment reporting

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group does not have any material operating segments with discrete financial information. The Group's assets and liabilities are primarily related to the mining industry and are located within Australia. The board of directors review internal management reports on a regular basis that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the board of directors to make strategic decisions.

Note 3: Subsequent events

The Company settled the acquisition of Imerys's Australian hydrous kaolin operations on 31 December 2020 and assumed control of the business effective 1 January 2021.

Other than these matters, there has not been in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that has not been disclosed elsewhere in this report, in the opinion of the directors of the company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Note 4: Contingent Liabilities & Commitments

Exploration Expenditure Commitments

In order to maintain the Group's interests in mining and exploration tenements, the Group is committed to meet the minimum expenditure condition under which the tenements were granted being \$259,000 (2019: nil) within 1 year.

Note 5: Dividends

No dividends have been paid or provided for during the half-year.

Note 6: Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Exploration and Evaluation Phase – at cost		
Balance at beginning of the half year	-	-
Tenements acquired through asset acquisition	3,210,439	-
Expenditure incurred	462,636	-
	<u>3,673,075</u>	<u>-</u>

Note 7: Right to acquire asset

	Consolidated	
	Half-Year ended	Half-Year ended
	31 December	31 December
	2020	2019
	\$	\$
Cash consideration paid to vendor on 31 December 2020	2,000,000	-
Geological and technical due diligence	28,532	-
Legal fees incurred for corporate due diligence and settlement matters	126,430	-
	<u>2,154,962</u>	<u>-</u>

On 31 December 2020 Suvo 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 Company paid \$2million cash to the vendor on completion which occurred on 31 December 2020. Control of Mircal Australia Pty Ltd and its two subsidiaries occurred on 1 January 2021.

Note 8: Right of use asset and lease liabilities

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Leased office premises – right of use asset	189,156	-
Office premises lease liability – current	(78,619)	-
Office premises lease liability – non-current	(110,888)	-

The Company entered into a 3 years lease agreement for office premises commencing on 1 December 2020. The right of use asset is recognised at the commencement date of the lease and the operating lease commitments discounted based on the weighted average incremental borrowing rate of 6%.

Note 9: Issued capital

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
585,508,922 (2020: 123,338,245) fully paid ordinary shares	<u>31,191,948</u>	<u>18,978,136</u>

Movement in Issued Capital

	31 December 2020 No.	31 December 2020 \$.	30 June 2020 No.	30 June 2020 \$.
Ordinary shares				
At the beginning of reporting period	112,338,245	18,978,136	1,073,380,619	18,831,305
Shares issued during the period				
Shares issued public offer re-listing	250,000,000	5,000,000	-	-

	31 December 2020 No.	31 December 2020 \$.	30 June 2020 No.	30 June 2020 \$.
Shares issued to vendors for acquisition	150,000,000	3,000,000	-	-
Shares issued to sophisticated investors	60,001,000	6,000,100	50,000,000	146,831
Share buy-back and cancellation	(3,000,000)	-	-	-
Share consolidation (1 for 10)	-	-	(1,000,042,374)	-
Shares issued to directors	7,419,677	148,394	-	-
Shares issues for conversion of convertible note	8,750,000	175,000	-	-
Less Share issue costs	-	(2,109,682)	-	-
At reporting date	585,508,922	31,191,948	123,338,245	18,978,136

Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

Share issue costs

On 7 August 2020 the Company was officially reinstated to the ASX board. The re-listing followed the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company's re-listing was gained as a results of a A\$5 million capital raising via a public offer and the completion of the Acquisitions. Under the public offer, the Company issued 250 million ordinary shares at A\$0.02 each, raising A\$5 million before costs.

On 31 December 2020 Suvo acquired the holding company of the Australian kaolin operations of Imerys S.A., Mircal Australia Pty Ltd and raised A\$6 million (before costs) via a placement to institutional, sophisticated, and professional investors of 60 million ordinary shares at \$0.10 per share. The Company engaged Canaccord Genuity to act as Lead Manager to the Placement. Canaccord Genuity and the Co-Lead Managers in aggregate received:

- A fee of 6% of the gross proceeds raised under the placement; and
- 12,000,000 unquoted options with an exercise price of \$0.15 and an expiry date of 31 December 2023.

Note 10: Related parties transactions

Key management personnel

The following transactions occurred with related parties during the period and refer to note 12 for share-based payment transactions relating to key management personnel:

	Consolidated	
	Half-Year ended 31 December 2020 \$	Half-Year ended 31 December 2019 \$

The following payments were paid to Martin Family Trust, an entity related to Mr. Robert Martin:

- Office costs and rent of office space	28,646	-
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Note 11: Financial Instruments

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount at the reporting date.

Note 12: Share-based payments

Options

- 1) The following securities-based payment arrangements were approved at the Company's General Meeting held on 7 July 2020:
 - 45,616,903 Lead Manager Options were issued to the Lead Manager for their role as lead manager to the Company's public offer and ASX re-listing completed on 7 August 2020;
 - 45,000,000 Advisor Options were issued to the Advisors in connection for advisory services and assistance in undertaking the Acquisitions and public offer;
 - 10,000,000 Options were issued to the incoming director, Robert Martin in connection with the Acquisitions, Company's public offer and ASX re-listing completed on 7 August 2020; and
 - 1,250,000 Options were issued to the incoming director, Leonard Troncone, in connection with the Acquisitions, Company's public offer and ASX re-listing completed on 7 August 2020.
- 2) The following securities-based arrangements were approved at the Company's Annual General Meeting held on 24 November 2020:
 - 500,000 Options were issued to Dr Ian Wilson with an exercise price of \$0.03 and an expiry date of 30 July 2023.
 - 500,000 Performance Rights were issued to Dr Ian Wilson. Full terms of the Performance Rights were set out in the Company's notice of annual general meeting, dated 20 October 2020.
- 3) The following securities-based arrangement was approved at the Company's general meeting held on 23 December 2020.
 - 12,000,000 Advisor Options were issued to the Co-Lead Managers with an exercise price of \$0.15 and an expiry date of 31 December 2023 in connection with their role as Co-Lead Managers to the Company's capital raise completed on 31 December 2020.

The fair values of the Options are estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	1) Acquisitions	2) Dr I Wilson	3) Capital Raise Dec-20
Expected volatility (%)	100%	100%	100%
Risk-free interest rate (%)	0.680%	0.145%	0.100%
Expected life of option (years)	3	3	3
Exercise price (cents)	3.0	3.0	15.0
Grant date share price (cents)	2.0	15.0	12.8

The expected life of the options is not based on historical data and is not necessarily indicative of exercise patterns that may occur. The number of days is calculated by the number of days between the grant date and expiry date of the option.

Note 12: Share-based payments (continued)

Options (continued)

The value brought to account as a share-based payment expense in the half year ended 31 December 2020 was \$816,548 related to the fair value of Options granted to the Advisors to the Acquisitions and to the incoming Directors was expensed to the Profit and Loss. The fair value of Options granted to the Lead Manager and Co-Lead Managers to the capital raisings amounting to \$1,383,661, has been capitalised and included in the transaction costs arising on share issue within equity.

Performance rights

The following performance rights were approved at the Company's general meeting held on 7 July 2020. The Company completed the acquisition of Mt Marshall Kaolin Pty Ltd and Watershed Enterprise Solutions Pty Ltd on 30 July 2020 ("Acquisitions") and the ASX re-listing on 7 August 2020.

At completion of the Acquisitions, the incoming directors were issued with 40 million performance rights which were split equally into three tranches and be subject to conversion into fully paid ordinary shares in the capital of the Company upon achievement of the following milestones:

- One third of the performance rights will convert into ordinary shares on a one-to-one basis upon the satisfaction of the following milestones within 12 months following the date of listing:
 - a) the definition of an Inferred JORC Resource at the Eneabba Sands Project of 80Mt @ 97.5% SiO₂; and
 - b) the definition of an Inferred JORC Resource at the Mt Marshall Kaolin Project of 20Mt @ cut-off grade of 25% Al₂O₃;
- One third of the performance rights will convert into ordinary shares on a one-to-one basis upon the satisfaction of the following milestones within 24 months following the date of listing:
 - a) the definition of a Measured JORC Resource at the Eneabba Sands Project of 40Mt @ 97.5% SiO₂; and
 - b) the definition of a Measured JORC Resource at the Mt Marshall Kaolin Project of 20Mt @ cut-off grade of 25% Al₂O₃;
- One third of performance rights will convert into ordinary shares on a one-to-one basis upon completion of preliminary feasibility studies on both the Eneabba Sands Project and Mt Marshall Kaolin Project demonstrating an ability to operate both projects as commercially viable enterprises within 36 months following the date of listing.

In accordance with the disclosure in the Company's prospectus dated 25 June 2020, no value was attributable to the performance rights as they were deemed as being less likely to vest than to vest. For remuneration purposes the value is the number of performance rights granted, multiplied by the share price at date of grant. As at 31 December 2020, these performance rights have not converted to ordinary shares. As at 31 December 2020, no expense has been recognised in respect of the performance rights as a 0% probability has been assigned to meeting any of the milestones.

500,000 performance rights were issued to Dr Ian Wilson. Full terms of the performance rights issued to Dr Ian Wilson are set out in the Company's notice of annual general meeting, dated 20 October 2020. This securities-based arrangement was approved by shareholders at the Company's annual general meeting held on 24 November 2020. The performance rights were split equally into three tranches and be subject to conversion into fully paid ordinary shares in the capital of the Company upon achievement of the following milestones:

- One third of the Director performance rights will convert into ordinary shares on a one-to-one basis upon the satisfaction of the following milestones within 12 months following the date of listing:
 - a) the definition of an Inferred JORC Resource at the Eneabba Sands Project of 80Mt @ 97.5% SiO₂; and
 - b) the definition of an Inferred JORC Resource at the Kaolin Project of 20Mt @ cut-off grade of 25% Al₂O₃;
- One third of the Director performance rights will convert into ordinary shares on a one-to-one basis upon the satisfaction of the following milestones within 24 months following the date of listing:
 - a) the definition of a Measured JORC Resource at the Eneabba Sands Project of 40Mt @ 97.5% SiO₂; and

Note 12: Share-based payments (continued)

Performance rights (continued)

- b) the definition of a Measured JORC Resource at the Mt Marshall Kaolin Project of 20Mt @ cut-off grade of 25% Al₂O₃;

- One third of the Director performance rights will convert into ordinary shares on a one-to-one basis upon completion of preliminary feasibility studies on both the Eneabba Sands Project and Kaolin Project demonstrating an ability to operate both projects as commercially viable enterprises within 36 months following the date of listing.

The performance rights valuation is based on the value of the Company's share price at 24 November 2020, the date shareholders approval was granted. As at 31 December 2020, no expense has been recognised in respect of the performance rights as a 0% probability has been assigned to meeting any of the milestones.

Share options exercised during the half-year

No share options were exercised during the half-year.

Note 13: Asset Acquisition

Summary of acquisition

During the half year the Company completed the acquisition of two companies that own exploration licences for industrial minerals in Western Australia:

- 100% of the issued share capital in Watershed Enterprise Solutions Pty Ltd which holds exploration licence E70/5001. The total consideration included payment of A\$50,000 for the option to purchase the share capital and a further payment A\$100,000 to exercise that option. At 30 June 2020 the Company had paid both the option fee and exercise fee. Completion took place on the transfer of 75 million fully paid ordinary shares in the Company to the shareholders of Watershed Enterprise Solutions Pty Ltd on 30 July 2020.
- 100% of the issued share capital in Mt Marshall Kaolin Pty Ltd which holds exploration licence E70/5039. The total consideration included payment of A\$50,000 for the option to purchase the share capital and a further payment of A\$100,000 to exercise that option. At 30 June 2020 the Company had paid both the option fee and exercise fee. Completion took place on the transfer of 75 million fully paid ordinary shares in the Company to the shareholders of Mt Marshall Kaolin Pty Ltd on 30 July 2020.
- Settlement occurred on 30 July 2020. At the date of the acquisitions, the fair value of the assets of the companies acquired were assessed as follows:

Acquisition of Watershed and Mt Marshall	Watershed	Mt Marshall
Cash and cash equivalents	660	64,010
Other current assets	4,792	31,057
Non-current assets	5,582	3,156
Current liabilities	(93,160)	(51,536)
Exploration asset	1,582,126	1,628,313
Net assets acquired	1,500,000	1,675,000
Consideration		
Cash	-	-
Shares issued on completion 150,000,000 ordinary shares @ \$0.02	1,500,000	1,500,000
Shares issued on conversion of convertible note 8,750,000 ordinary shares @ \$0.02	-	175,000
	1,500,000	1,675,000

Directors' declaration

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors and is signed for and on behalf of the directors by:



Leonard Troncone
Director
Dated 23 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Suvo Strategic Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Suvo Strategic Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

BDO Audit (WA) Pty Ltd

The image shows a handwritten signature in black ink. Above the signature, the letters 'BDO' are written in a simple, blocky font.

Dean Just

Director

Perth, 23 February 2021