SUVO
STRATEGIC MINERALS

# ASX ANNOUNCEMENT

26 AUGUST 2022

## PITTONG PLANT UPGRADE AND OPTIMSATION INCLUDING PRODUCTION GUIDANCE

### HIGHLIGHTS

- Pittong plant upgrade optimisation review completed validating ~60,000 tonnes per annum processing capacity
- With an expected 83% utilisation, the Pittong Operation is estimated to produce ~50,000 tonnes per annum of hydrous kaolin from the end of Q3 FY 2023 (Q1 CY 2023)
- All-in sustaining cost expected to reduce from A$592/t to A$359/t representing a 39% reduction
- Forecast EBITDA A$8.3m in FY 2024
- Pittong maiden Mineral Resource Estimate 5.69Mt of resource, validating a mine life of approximately 35 years (ASX announcement 1 March 2022)
- Company fully funded to complete plant upgrade

**Suvo Strategic Minerals Limited (ASX: SUV)** ("Suvo" or "the Company") is pleased to announce that it has successfully completed a plant upgrade optimisation review on its 100% owned Pittong Operation.

**Suvo Executive Chairman Henk Ludik commented:**

"The completion of the strategic review of the Pittong operations is a major milestone, unlocking tremendous value for Suvo and its shareholders. By identifying and upgrading vital plant and equipment it has resulted in the opportunity to lift production and reduce operating cost at a modest capex and will translate into a doubling of production and a 4x lift in forecast EBITDA. Study work leading to the plant upgrade has enabled the Company to validate the growing demand for quality hydrous kaolin globally. Pittong is the only producer of hydrous kaolin in Australia. This gives the company great confidence in unlocking other kaolin related markets including Metakaolin applications for emerging opportunities in carbon reducing green cement. The Company is of the firm opinion that if the Federal Government are to meet its 2030 carbon reduction targets, green cement will be an integral part of the plan to meet those targets."

Shortly after the Company completed its Executive and Board transition in late March 2022, a plant upgrade optimisation review commenced. This was a critical work stream for Suvo, and its outcomes have provided a high level of confidence that all facets of the upgrade were methodically analysed and verified.

## Table 1 - Pittong Operation Production Guidance

| Description | Unit | FY2023 Q1 - Q3 (9-month Guidance) | FY2023 Q4 (3-month Guidance) | FY2024 Q1 - Q4 (12-month Guidance) |
|---|---|---|---|---|
| **Production** | **Tonnes** | 17,085 | 12,500 | 50,000 |
| **Capital Cost Optimisation**[1] | **A$m** | 2.3 | - | - |
| **Cash cost** [2] | **A$/t** | 492 | 351 | 328 |
| **G&A**[3] | **A$/t** | 46 | 25 | 23 |
| **Capital sustaining cost**[4] | **A$/t** | 54 | 8 | 8 |
| **Operating Cost (All-in Sustaining Cost "AISC")** | **A$/t** | 592 | 384 | 359 |
| **Net Kaolin Price** [5] | **A$/t** | 525 | 516 | 516 |
| **Revenue** | **A$m** | 10.9 | 8.1 | 32.3 |
| **EBITDA** | **A$m** | (0.2) | 1.8 | 8.3 |

[1] Cost required to upgrade and replace critical equipment to be able to achieve processing capacity of ~60,000 tonnes per annum. Includes contingency of A$0.2m.

[2] Cash cost includes all mining, processing and site administration costs. Taxes are excluded.

[3] G&A cost includes 25% allocation of head office corporate costs. Corporate costs are split evenly across the Company's Projects.

[4] Sustaining costs includes all critical spares, overburden, property, plant and equipment and sustaining capital costs.

[5] Commodity price has been determined based on the current offtake book. The average net Kaolin price is calculated as the CIF price less freight and commissions. Commissions are calculated as 5% of all export sales.

The independent review has confirmed the plant capacity expansion will be capable of delivering a name plate processing capacity of ~60,000 tonnes per annum under certain operating conditions, with a forecast completion date of end Q3 FY 2023 (Q1 CY 2023), most of which the Company intends to satisfy by the forecast completion date.

For the year ended 30 June 2022 (12 months), total production was ~25,700 dry tonnes, compared to ~25,000 dry tonnes for the 2021 FY (12 months). The production rate for the 2021 and 2022 financial years display the consistency of the plant operations on an annual basis and following the findings from the plant upgrade optimisation review, the Company has a high degree of certainty that nameplate capacity of ~60,000 tonnes per annum could be achieved through a combination of equipment upgrades and process optimisation at its Pittong operations, subject to the plant being continuously operated 24/7.

This comes as a result of a review of mining operations and processing infrastructure, with input from specialist engineering groups, identifying existing bottlenecks and optimisation opportunities. It is deemed reasonable that in addition to the increase in nameplate capacity, the upgrade, optimisation of equipment and investment in human resources will unlock substantial cost efficiencies.

Measures have also been put in place and activities commenced to ensure that the expanded production team receives sufficient training to operate the plant at the increased capacity.

The Pittong Plant has been running for 50 years and following the acquisition by Suvo from Imerys in December 2020, Suvo now has a detailed dataset available whereby management can place a reasonable basis on actual cost of production, and correspondingly the weighted average selling price, using historical sales contracts. Importantly, Suvo's announcement dated 1 March 2022 confirmed resources of 5.69Mt of kaolinised granite, further validating a mine life of approximately 35 years based on a resource breakdown of 74% indicated and 26% inferred resources.

The plant upgrade and optimisation comes at a capital cost of A$2.3m (fully funded within the A$5m as announced on 7 March 2022), which includes costs required to upgrade and replace critical equipment at the Wet and Dry Plant in order to meet the nominal design capacity of 9 tonnes per hour ("Tph"). All hydroclones will be replaced at the Wet Plant as excessive wear has inhibited the effectiveness and efficiency of the equipment. Engineering reports have indicated that substantial production efficiencies can be unlocked through the replacement of dated equipment and refurbishment of key infrastructure, such as the filter presses and band dryer.

The Pittong plant upgrade capital works are expected to be completed by the end of Q3 FY 2023 (Q1 CY 2023). At completion of the upgrade the Pittong Operation is expected to produce ~50,000 tonnes per annum of hydrous kaolin which represents an 83% utilisation rate based on the ~60,000 tonnes per annum nameplate capacity, which is based on the Company's proposed operating hours.

Importantly, from historical data provided by Imerys, the Pittong Plant has previously produced circa 50,000 tonnes per annum, in its earlier years of operation. Correspondingly, Suvo have utilised historical costings (actuals), to formulate its All-In Sustaining Cost ("AISC") post the plant upgrade. In accordance with the aforementioned historical data, the Company expects to achieve significant efficiencies in processing costs by lowering its power and gas usage per tonne produced and gaining economies of scale with its fixed costs. The Company expects to reduce its AISC from A$592/t to

A$359/t from FY2024 representing a 39% decrease. (Table 1 - Pittong Operation Production Guidance).

Following the signed cooperation agreement between C&D Logistics Group Co Ltd ("C&D") and Suvo, dated 25 May 2022, C&D have agreed to accept delivery under a commercial-scale trial delivery contract, 20 tonnes of two high quality water washed kaolin products, from Suvo's 100% owned Pittong hydrous kaolin operation (ASX Announcement 15 August 2022).

The two high quality, hydrous kaolin products will be used by C&D in various commercial-scale trials. This binding contract is an important next step for the Company and another step closer to a commercial offtake agreement with C&D.

Pending the results of this commercial-scale trial contract in relation to product sourced from Pittong, Suvo and C&D will continue to negotiate a Sales and Purchase Agreement in good faith.

The Company continues to work on opportunities and commercial product trials to finalise offtakes for the additional hydrous kaolin expected to be produced from Q4 FY 2023.

**The release of this announcement has been approved by the Board of Directors of Suvo Strategic Minerals Limited.**

**-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 products for end users. These products 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.

| Category | Kaolinised Granite Tonnes (Mt) Pittong | Kaolinised Granite Tonnes (Mt) Trawalla |
|---|---|---|
| Indicated | 3.74 | 9.9 |
| Inferred | 1.96 | 2.8 |
| **Total** | **5.69** | **12.7** |

The Company first disclosed the Trawalla and Pittong Mineral Resource Estimates on 22 September 2021 and 1 March 2022. The Company confirms that it is not aware of any new information or data that materially effects the Announcement and confirms that the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

**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.

**Forward looking statements**

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.