

# INVESTOR UPDATE

October 2021



ULTRA **HPQ**



Dear fellow shareholders, on behalf of the Board of HPQ Ltd, I present an update on progress as of 31 October 2021. The previous update was provided as at the end of July 2021.

## Summary

- The previous update pointed to the plan for process testwork to be undertaken in Germany in relation to a Low Alpha EMC Filler product, which has been completed and the final report issued.
- The good news is that the tests have confirmed our best results to date, and we have a defined process to produce a finer fraction sand which satisfies the specification for Low Aluminum EMC Filler. This is a saleable product with multiple potential buyers. A more detailed techno-economic assessment will be undertaken in the coming weeks.
- The process tests also confirm that Uranium (U) and Thorium (Th) can be removed to very low levels using a known process, as predicted from earlier tests. We are now extremely close to the specification for Low Alpha EMC Filler (see Latest Test Outcomes section below).
- In addition, materials for Inner Layer Solar Crucible and Outer Layer Semiconductor Crucible products have been prepared for testwork by Dorfner Anzaplan in Germany but we will require additional funding to progress these new tests for what will be a third product, if successful (also see below).
- This means that we are now within 4 months of determining processes to potentially produce 3 saleable products into different markets.
- We have interested parties to undertake due diligence based on our overall renewable/electronics thematic. We are very keen to show strong progression towards our objectives by undertaking the new recommended testwork.
- A very large Chinese solar PV module manufacturer and a Japanese entity has expressed an interest to test our materials. We are currently in correspondence to understand their testwork requirements and how we can best meet these.
- As part of the on-going mine planning process, we have determined that a new stockpile and crushing site will need to be established due to inability to get road-train haulage vehicles proximate to the Sugarbag Hill resource, due to rough terrain. A new ML application for the stockpiling and crushing site will be prepared and will take approximately 9 to 12 months to obtain approval and this is now on the critical path for the project. All testwork, mine planning and development work will be continued in parallel, subject to funding.



- I must announce that Brook Burke, Company Secretary, has been suffering from medical illnesses and, as a direct result of his illnesses, failed to act on correspondence from the Queensland, Department of Resources. As a result, the Department has determined that we will need to reapply for a new Mining Lease over the resource. This is unfortunate but it can be rectified within approx. 6 months and is not on the project critical path. This is being supported by the Department, given the circumstances. We have good title to the underlying exploration lease, so no other party can apply for a mining lease over the resource. We will be commencing this work and progressing as rapidly as possible as part of a new fund raise (see below). We wish Brook well in his recovery.
- All other future product and test work plans remain intact per the main plan outlined in the July 2021 update, though dates may change based on work scheduled over the next 12 months.

## Latest Test Outcomes

- The Dorfner Anzaplan testing aimed to replicate an existing commercial process to remove U and Th to levels to less than 1% (Specification U = 0.5ppm and Th = 0.2ppm).
- We achieved the best process results to date and now very close to specification for Low Alpha EMC Filler product and so we are intent on additional new tests which have been recommended by Dorfner Anzaplan and endorsed by our consultants.
- Our quartz is shown to satisfy the specification for the Low Aluminium EMC Filler market at an initial indicative finished price of US\$350/t to US\$600/t price range. A techno economic assessment will be made of the potential to supply this new product into the market.

Results table - summary extract – Source: Dorfner ANZAPLAN 211613557 EMC Filler – October 2021

	Al	Fe	Na	K	Li	Ti	Zr	Ca	Mg	Cr	Mn	Cu	U	Th	Sum
	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppb	ppb	ppm
<b>Results</b>	<b>30</b>	<b>1.5</b>	<b>2.1</b>	<b>4.5</b>	<b>0.41</b>	<b>1.7</b>	<b>&lt;0.1</b>	<b>1.3</b>	<b>0.24</b>	<b>&lt;.05</b>	<b>&lt;.05</b>	<b>0.13</b>	<b>1.8</b>	<b>0.4</b>	<b>43</b>
Low Alpha EMC Filler Spec	<300	<40	<40										0.5	0.2	
Low Aluminum EMC Filler Spec	<2600	<100	<40										8	5	

## Next Steps (Recommended test work)

Dorfner Anzaplan has recommended the following next step tests in line with the above objectives;

1. Mineralogical characterisation tests to understand the source of the small residual amounts of U and Th and based on findings, a plan to reduce levels to Low Alpha EMC Filler specification.

2. The finer fraction crucible/fused quartz ingot materials will also be tested. In addition, conductivity and melt tests will be undertaken.
  3. A techno-economic assessment of the Low Aluminum EMC Filler product.
- Our consultants have endorsed the new tests.
  - At the end of the next round of recommended testing, we aim to demonstrate the ability to successfully process three saleable fine fraction products;
1. **Low Aluminum EMC Filler** material - to be further assessed via proposed techno-economic assessment and;
  2. **Low Alpha EMC Filler** material - initially in lump format with potential economics indicated in the July Investor Update, we will examine the feasibility to produce a finished product which sell at a c4x revenue uplift compared to the lump price and;
  3. **Inner Layer Solar Crucible** grade materials - with potential application in flamed fused ingot and fibre optic cable manufacture. If successful, this product would be equivalent specification to The Quartz Corporation product NC4AF and/or NC4XF. This is premium product which sells at around USD\$4,500/tonne in finished product format but will require the processing plant to be built in Townsville per our longer-term business plan and model.
- As reported in the July 2021 Investor Update, qualifying materials for the larger volume coarser fraction sand market (100 to 300 micron) will take more testing based on modifications/variations to the previous tests undertaken in Europe. These tests will be pursued as a later priority.

## Funding

- A new work program will commence subject to raising A\$1million to fund the new work program including the new test work, the stockpile lease applications, new product test sample production, bulk samples, customer testing, mine planning, project management and overheads for 12 months. At completion of this 12-month phase, we would look to raise \$5m to commence mining, production and sales within 3 months.

We are now seeking to raise A\$1million for the next 12 months work and for the following purposes;

Work Program A\$ 000's	Total
Resource Work	250
Product Testing (Incl Bulk & Customer)	190
Project Management, G&A and Site Costs	370
<b>Project Total Before Contingencies</b>	<b>810</b>
Contingencies	65
<b>Project Total Inc Contingencies</b>	<b>875</b>
Costs of Raise	70
<b>Total Project and Cost of Raise</b>	<b>945</b>
Cash balance addition (W/C)	55
<b>Total Uses</b>	<b>1,000</b>

1. Resource work - Apply/reapply the mining leases, mine planning and approvals to mining readiness.
2. Product Testing - Mineral characterisation test to further reduce U and Th re the Low Alpha EMC plus contingency for follow-up tests. New testing for Inner Layer Crucible Materials (NC4AX equivalent spec). Product samples and customer acceptance testing.
3. Techno-economic assessments of Low Aluminum material.
4. Project management, overheads, office, corporate and site costs and co and working capital. Planning for next stage funding or pre-IPO funding
5. Contingencies – Testwork and Environmental work
6. Costs of Raise.

We would look to start the works once we have sufficient funding commitments to complete the distinct initial testwork elements.

In addition, we will continue to communicate progress with aligned creditors to ensure the necessary time to run the tests and to establish production under the early cashflow plan for the initial Low Alpha EMC Filler lump product.

- The pricing for the new issue will be outlined in a separate equity raise presentation which will be circulated separately.
- In short course, a notice of meeting to convene a special general meeting of shareholders to approve the issue of new shares pursuant to the above outline plan will be circulated.
- We will continue detailed due diligence with any other interested parties in parallel.

## Financials

- The audited accounts for FY19 and FY20 are completed, and copies can be provided on request.
- The draft FY21 financial are expected to be available shortly used to lodge the tax return and claim any RND rebate (limited for FY21) and then to prepare for statutory audit.

## To Conclude

- The testwork results are the best yet and we now have a confirmed process for an initial saleable product, Low Aluminum EMC Filler, subject to techno-economic assessment.
- We are now tantalisingly close to a second saleable product, Low Alpha EMC Filler, which was the initial testwork goal. Further mineral characterisation tests will reveal what further process tests should be done to lower the U and Th levels further.
- Product testing will include Inner Layer Solar PV Crucible grade which sells for US\$4,500 per tonne. If successful, this would be our third product, which is a premium grade.
- The plan for early cash flow remains intact, albeit delayed by 3 to 6 months but the new testwork will boost the economic feasibility of the plan as outlined, if successful.
- A new mining lease application for the stockpile and crushing site will be progressed with a third-party tenement specialist entity.
- A meeting to approve the issue of new shares will be arranged shortly and supported by an equity raise presentation with terms for a A\$1m raise.
- We will continue to engage in detailed due diligence with various parties, large and small.
- Engagement with a very large solar PV module manufacturer has recently commenced to assess their testing requirements.

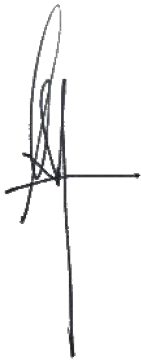
If we can report successfully on the next Low Alpha tests and inner layer crucible tests, then we aim to attract further significant investment from larger entities.

We have made good and steady progress on test work and the Board believes we are on the right pathway with the shift to finer fraction product testing and development, in the short term.

I will be in touch with a slide deck and notice of meeting in due course. Any questions, please call or email me.

Once again, thank-you to our shareholders and stakeholders for your valuable and continuing support.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Stuart Jones', written over a horizontal line.

Stuart Jones, CEO

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Approved by HPQ Ltd Board