

# HIGH PURITY QUARTZ LIMITED INVESTOR UPDATE

December 2024



Dear fellow shareholders, on behalf of the Board of HPQ Ltd, I am pleased to present a summary update on progress and plans at December 2024. Since the last update, circulated at the end of March 2024, several key milestones have been achieved.

## Highlights

- Pre-Feasibility Study (**PFS**) has been completed and the PFS Report finalized.
- A\$6m funding completed with [REDACTED].
- The existing Wogen Limited Sales and Distribution Agreement has been restructured.
- An Option to Lease Agreement has been signed with Townsville City Council (**TCC**) for 26 hectares of land at Lansdown Econ Industrial Precinct (**LEIP**), approximately 40kms South of Townsville.
- A feasible pre-processing site at Mount Garnet has been identified.
- A detailed and costed proposal has been received from an international trading house for supply and delivery of the key process chemical.
- A new Director has been appointed following the \$6m [REDACTED] investment.
- Definitive Feasibility Study (**DFS**) phase planning is about to commence.

## Main points

- The PFS study work is completed, and we expect to publish a summary of the report in presentation format on the website before the Christmas break.
- The PFS study report was compiled by Lycopodium from multiple independently commissioned third-party expert sources. The report confirms the base feasibility of our base case plan to extract c100ktpa of quartz ore and to process it into 36ktpa of finished solar grade UHPQS on a 3-year ramp up case of 12ktpa in Year 1, 24ktpa in Year 2 to reach 36ktpa by end of Year 3, to PFS levels of certainty (**the Base Case plan**).
- Post-tax project NPV<sub>10%</sub> of A\$990 million, IRR of 32% and fully ramped-up annual revenue of \$800m and annual Ebitda of A\$400m, escalating over a current mine life of 12.4 years, based on JORC volumes drilled-up to date. Total Capex of \$515m will require funding of c\$400m, net of ramp-up period operating cashflow.
- HPQ has fully engaged with QLD State, Federal and Local planning agencies and the permitting and permitting pathway has been mapped out, including the further studies required to submit the relevant Development Applications for approval during the next DFS phase to achieve Final Investment Decision (**FID**).
- Upside risks are summarised as
  - product price increases, due to on-going asymmetry between supply and demand



- additional volumes/LOM from future drilling of the mining lease and other quartz exploration assets held under exploration permits and
- through optimisation of the flowsheet as we move through the DFS phase.
- Other key risks summarised as;
  - Demonstrating scale-up from lab to pilot scale,
  - Permitting of hazardous chemicals imported via Port of Townsville (POT) and transported via road and discharged to specially designed storage tanks at LEIP. The LEIP site will require a Major Hazards Facility (MHF) License as part of the secondary permitting process.
  - The need to undertake additional variability testing to achieve DFS level of certainty on the convertibility of quartz resource volumes to finished UHPQS product.
- An Option to Lease has been signed with TCC an allocation of 26 hectares of land for the planned advanced quartz processing facility at LEIP, near Townsville. The final site at LEIP has changed from the original allocation to allow the UHPQS processing plant and the planned Project Green Poly (**PGP**) project (Polysilicon refinery) to be located adjacent to each other.
- The final land allocation reflects the potential for synergies between the two separate, but commercially linked projects. The LEIP site is ideally located on the route to the Port of Townsville as an export point for any finished product not used locally in downstream manufacturing of Crucibles. See updated location maps at **Appendix 1**.
- An additional pre-processing site has been identified at Mount Garnet, Queensland. This site will produce a partially purified quartz sand concentrate, which will be hauled to LEIP for the final advanced processing stages.
- The Mount Garnet pre-processing site has potential access to an existing tailings storage facility (**TSF**) and to dams as a potential source of process water. This new pre-processing site alleviates the need to build additional waste storage/disposal infrastructure at LEIP.
- Consequently, we are progressing two separate but linked Development Applications via TCC for LEIP and Tablelands Regional Council (**TRC**) for Mount Garnet. Pre-lodgment advice has been received from both authorities and factored into the next stage DFS studies.
- Funding of the \$6m via Redeemable Convertible Note structure was received 10 December 2024, following satisfaction of all conditions. In return for funding, ■■■ will access any quartz volumes (Beer Quartz) suitable for Metallurgical Grade Silicon (**MGSi**) production at the adjacent PGP site at LEIP. In addition, and subject to providing the majority of funding for the construction of the UHPQS plant, ■■■ will have first nomination rights on up to 80% of UHPQS nameplate volumes of UHPQS at LEIP. Any remaining UHPQS volumes not taken by ■■■ will be sold into export markets under the now restructured and simplified Agency Agreement with Wogen Limited.
- In addition, the \$6m funding provides for our plans to drill exploration/metallurgical holes on one of our other exploration permits (the Sundowner EPM) and to extend metallurgical testwork coverage at Sugarbag Hill.

- As a backstop, quartz ore at Sugarbag Hill resource, has also been tested as suitable for MGSI with good suitability results. We will continue to test for MGSI and UHPQS quality across our exploration assets.
- We are now entering a two-month planning phase before the formal start of DFS, factoring the outputs from PFS. This will firm up the timeline and costing for DFS phase through to Final Investment Decision (**FID**) to enable progression to the Detailed Engineering and Construction phase. A preliminary timeline is attached at **Appendix 2**.
- An earlier estimate of costs to achieve FID, and to drill and test our other EPM assets, is between \$10m and \$12m (indicative only), to be partly funded by the new \$6m funding and approximately \$1m of existing cash at bank.
- As we complete and costing of the detailed DFS plan, any additional funding required to complete DFS could be made available through existing relationship with ■■■ or through agency grant funding or from other interested parties. These options remain open.
- Longer-term, construction phase funding options exist, again, potentially through the existing relationship with ■■■ and/or from an intended future application to NAIF for potential project finance facilities. We continue to keep a listing option open, and we continue to receive interest from other parties. These options will be matured over the next 12 months.
- We plan to bolster our internal resources through the recruitment of qualified personnel to improve bench strength across a range of disciplines. This will form part a key part of the DFS plan and budget.

## CEO Comments

We have achieved three major milestones since the last update. We are now focused on firming a plan to complete the DFS phase to achieve FID within c18 months.

The PFS report completion demonstrates the robust economics of the project and, subject to navigating through the key risks identified, we see a clear pathway for significant shareholder value growth over the next 18 months to FID and beyond.

Our strong green-tech, critical minerals thematic continues to hold us in good stead, as we start to build out our ESG framework over the next 12 months. We sit firmly at the center of State and Federal critical mineral strategies and our intent is to seek Prescribed Project status in Q1/Q2 2025. This will bring our project into line with the overall LEIP enabling project and with Project Green Poly, adjacent to us at LEIP.

Interaction with QLD State Assessment Referral Authority (SARA), as the umbrella approval agency in QLD, continues to be constructive.

Our relationships with TCC and now TRC are important, with the prospect of bringing investment and new skilled critical minerals jobs to the Townsville and Mount Garnet regional economies being a key driver.

We are working with others at LEIP to maximize synergies which exist between the quartz (champagne quartz) to produce UHPQS and other quartz (beer quartz) to produce Metallurgical Grade Silicon (MGSi). This connection provides a basis to realize HPQ Ltd's original vision/mission of facilitating through collaboration, the manufacture of solar PV cells/modules in Queensland, subject to feasibility of the later downstream stages.

Finally, we welcome Robert Johansen onto the HPQ Limited Board. Rob sits on numerous [REDACTED] investee boards in the mineral and metals area and is working with Private Equity Partners (an affiliate of [REDACTED]). We look forward to working with Rob to help ensure that our short-term, and longer-term plans, are successfully executed.

If there are any questions on this update, then please email me. Thank-you for your continuing support and on behalf of the HPQ Limited Board and Project Management Team, we hope you all have a peaceful Christmas. We look forward to 2025 with confidence.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Stuart Jones', with a horizontal line extending to the right.

Stuart Jones, CEO

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On behalf of the HPQ Ltd Board



## Appendix 2 – Preliminary Schedule - DFS, Approvals, FID, Construction and Commissioning

