LETTER TO SHAREHOLDERS 11th January, 2021

Dear Shareholder,

We are writing to update you regarding the activities of your Company since our last communication, dated 3rd July, 2020.

At the beginning of August 2020 the Company received the following definitive response from the ASX regarding our revised Application for In-Principle Advice for admission to ASX, submitted on 9th June, 2020.

Should Yilgarn seek to proceed with an application for admission, ASX will take into account matters including:

- *The arrangements between Yilgarn and Lianyungang Folaide Quartz Technology Co. Ltd ("LFQT") and the obligation of Yilgarn to distribute 30% of the profits declared by Sinoquartz Tech (Lianyugang) Co. Ltd to LFQT;*
- *The limited experience of the Board in operating a China-based HPQ processing plant;*
- *The proposed capital structure of Yilgarn, including the implied market capitalisation and the proposed offer price; and*
- *The jurisdiction where Yilgarn's processing business operations will be carried out.*

Further to protracted, ongoing discussions with the ASX listing committee members, the Company's appointed advisors Automic Group advised the Board on 29th December, 2020 as follows;

> *"we are of the view that the ASX will not allow Yilgarn to be listed where it has operations in China or a vast majority of the funds being paid to the Company are held 'in country' in China. For Yilgarn to be approved to list on ASX it would need to significantly restructure its operations to remove operations in China".*

In light of this fundamental development, the Company needs to reconsider its business model moving forward to ensure a successful ASX listing. This may in fact lead to challenging the ASX's present hard-line views. In potentially doing so, has its own set of risks, however, mitigated by developing the Company's assets and operations further.

Over the past 12 months, the Company has continued to upgrade the processing plant with the view to increasing its current capability from Grade 1 HPQ product to Grade 2 HPQ product. A further investment of up to $300,000 is required to finalise this objective and further underpin active sales and distribution.

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In addition, further funds were expended during the year to secure environmental compliance approval and certification.

In light of the ASX's position, the funds already expended in China, the need for additional sources of capital, and to achieve a satisfactory liquidity event for Shareholders and Stakeholders, the Board is now assessing Options and time horizon.

Option 1

Explore the potential sale of the plant in China as a first step in establishing a platform to proceed with the Company's ambition to secure an ASX listing. The essential terms of such a sale would be the recovery of the Company's investment and a long term toll processing agreement with the buyer. It would also be prudent for the Company to enter into additional contracts with other HPQ processors in China. In this respect, a toll processing agreement has been progressed with Jiangsu Yangshan Silicon Materials Technology Co. Ltd ("JYSMT"), which is an experienced Chinese based HPQ processing plant, where members of the Board visited during 2018.

If a sale is successfully achieved, this would release the Company from any and all obligations that relate to the China plant, such as further upgrading, staff, management and factory lease commitments, with the goal to clear out all overhangs of the past 18-24 months.

If the China plant was to be sold, no new funds will be allocated for further updating of the factory. Noting, this would result in a lower enterprise value given the China plant will be removed from the Company's balance sheet. Thus, any eventual ASX listing would most likely reflect a lower market cap.

Option 2

To raise sufficient capital (including the $300,000 as outlined above) in order to bring the China plant up to capacity / capability, continue the current roadmap of adding value to the Mt Isa tenements. Once HPQ Grade 2 is achieved on a consistent and satisfactory volume basis, look to then either an ASX listing, or project financing, or other forms of capital to take the Company forward.

NOTE: in conjunction with either Option 1 or 2, forming part of the way forward is to bring the high grade May Downs mine into production. The supply of raw quartz from this deposit is a prerequisite to producing Grade 2 and Grade 3 HPQ product. The estimated cost associated to bringing May Down's into production is $250,000. Further, with this particular initiative the Company should undertake further exploration to extend the JORC resource. This would add substantial value to the Company.

In order for the Company to implement ***Option 2***, it requires working capital of up to $1.5 million.

The Directors are currently in discussions with a number of sophisticated investors to raise these funds. In addition and forming part of the capital raise mix, the Directors propose to invite existing Shareholders to participate in a Non-Renounceable Rights Issue – more details relating to this Offer will be communicated in the days ahead.

Option 3
A hybrid of the above Options which may also include a restructuring. A restructuring may take the form of a partial sale or reorganization of the Company assets that satisfies the ASX. This would then afford the Company a continued interest in the China plant.

All go forward scenarios will require for the Company to raise working capital to adequately execute on any of the preferred solutions.

Accounts and AGM
The Company's year end 30 June 2020 audit is near completion. Once finalised the Company will be in a position to schedule an AGM. It should be noted that different financial year ends for Australia and China have been a contributing factor for this delay.

Resignation of Chairman (10th January 2021)
We also wish to advise the Chairman, Mr Clive Trist, has tendered his resignation with immediate effect. The Board has accepted this resignation and thanked Clive for all his efforts during his tenure.

CONCLUSION
In conclusion, Directors are seeking your support to proceed with exploring the outlined Options with the view to creating Shareholder wealth. The last 12 months have been very difficult, in particular the Board's efforts to address the ASX's very real and ongoing concerns of doing business in China.

Yours sincerely,

Hugh Dai
Managing Director