



RISK FACTORS



ALLUP SILICA

Image of area located at tenement E70/5447.

This document identifies the major areas of risk associated with the Company but should not be taken as an exhaustive list of the risk factors to which the Company are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statement will eventuate.

The selection of risks contained in this Section has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of risks will not change, or other risks will not emerge. Additional risks not presently known to the Company, or if known, not considered material, may also have an adverse impact.

SPECIFIC RISKS ASSOCIATED WITH THE COMPANY

(a) Exploration and Development Risks

Mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

The quantities and grades included in the mineral resource statements are estimates and may not prove to be an accurate indication of the quantity or grade of mineral that has been identified or that the Company will be able to extract. No assurance can be given that any particular level of recovery from mineral resources or reserves will in fact be realised or that an identified mineral resource will ever qualify as commercially viable which can be legally and economically exploited.

There is no assurance that exploration of the Company's mineral interests, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

(b) Land Access and Compensation

There is a substantial level of regulation and restriction on the ability of exploration and mining companies to gain access to land in Australia. Negotiations with both Native Title parties and land owners/occupiers are generally required before the Company can access land for exploration or mining activities. Investors should be aware that any delay in obtaining agreement in respect of compensation due to landholders whose land comprises the Tenements may adversely impact or delay the Company's ability to carry out exploration or mining activities on its Tenements.

A number of the Tenements for its Projects overlay private land and Crown nature reserves both of which require consent prior to access and the conduct of exploration activities on the areas affected. Should such consents not be forthcoming or be withdrawn this may have a materially adverse impact or delay to the Company's exploration Activities (refer to the Mining Tenement report in Section 10 for further details on these matters).

(c) Operational Risks

The operations of the Company may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(d) Silica Sand and Commodity Prices

As an explorer for silica sand, any future earnings of the Company are expected to be closely related to the price of those commodities.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for commodities, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration and project development plans, together with the ability to fund those plans and activities.

(e) Native Title

The Native Title Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with Native Title in Australia and this may impact on the Company's operations and future plans.

Native Title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the Native Title holders or by valid use of land or waters. Native Title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over Native Title to the extent of any inconsistency for the duration of the title.

Tenements granted before 1 January 1994 are valid or validated by the Native Title Act. The Tenement was granted prior to 1 January 1994 and accordingly suspends the operation of native title within the tenement area for the life of the Tenement.

The existence of a Native Title Claim is not an indication that Native Title in fact exists on the land covered by the claim, as this matter is ultimately determined by the Federal Court.

A number of the Tenements for its Projects are affected by known determined or registered Native Title Claims. Accordingly, the ability of the Company to gain access and progress to mining operations (should exploration be successful) will be dependent on coming to arrangements with these parties regards operations within the affected areas (refer to the Mining Tenement report in Section 10 for further details on these matters).

(f) Aboriginal Heritage

The Company must comply with Aboriginal heritage legislation requirements which include the requirement to conduct heritage survey work prior to the commencement of operations.

The Company is aware of various areas of indigenous significance and Aboriginal heritage sites of considerable cultural value both to the local indigenous communities and the broader community generally. These heritage sites require the Company to comply with the Aboriginal Heritage Act in respect of any ground disturbing activities. Prior to commencing significant ground disturbing activities, including mining, the Company will need to consult with local traditional owners regarding the likely impact that the proposed activities may have on such areas.

There is no guarantee that the Company will be able to deal with the above issues in a satisfactory or timely manner and accordingly such issues may increase the proposed time periods for the conduct of the Company's proposed activities and also limit the Company's ability to conduct its proposed activities on the Tenement including ultimately commencing mining operations.

(g) Tenement Title

Interests in tenements in Western Australia are governed by legislation and are evidenced by the granting of licences. Each licence is granted for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to,

or its interest in, the Tenement if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

The Company currently has 4 tenement applications which are being processed. Certain requirements must be met in respect of these applications in order to achieve grant. Should these requirements not be met, the applications will not be granted and the Company will not be able to undertake exploration activities on the areas of the applications. Further, tenements are granted on certain terms and conditions most of which are standard to all tenements granted. However, it is possible that conditions specific to the Tenements in question could be imposed which require consents or approvals prior to exploration or restrict or limit access to certain areas. If this occurs in respect of the Company's Tenements which are applications, it could have an impact on the Company's ability to explore on these Tenement once granted. In particular the Company notes that E70/5455 (Antwalker Project) substantially overlies a state forest. As detailed elsewhere in this Prospectus the grant of this Tenement is conditional on an approval of a conservation management plan by Department of Conservation, Biodiversity and Attractions. Should such approval not be obtained then the Tenement will not be granted. Further conditions may be imposed on such grant which impede exploration activities.

The Tenement (or tenements in which the Company may acquire an interest in the future), will be subject to applications for renewal or exemption from expenditure (as the case may be). The renewal or exemption from expenditure for a tenement is usually determined at the discretion of the relevant government authority.

If a tenement is not renewed or granted an exemption from expenditure, the Company may suffer damage through loss of opportunity to develop and discover minerals on that tenement.

(h) Environmental Risks

Exploration and mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. The operations and proposed activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(i) Dependence on Key Personnel and Ability to Recruit Additional Personnel

The Company is reliant on a number of key personnel engaged by the Company. Loss of such personnel may have a materially adverse impact on the performance of the Company. While there can be no assurance given as to the continued availability of such key personnel, the Company has put in place employment contracts and equity participation programs with senior executives to incentivise them. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.

(j) Agents and Contractors

The Company intends to outsource substantial parts of its exploration activities pursuant to services contracts with third party contractors. In most cases, the Company has yet to enter into these arrangements. The Directors are unable to predict the risk of financial failure, default or insolvency of any of the contractors. If these events occur in relation to a contractor, recovery by the Company of resulting financial losses may be limited. Contractors may also underperform their obligations of their contracts. If such contracts are terminated, the Company may not be able to find a suitable replacement on satisfactory terms.

(k) Royalties

The Company's Projects are subject to State royalties and a private royalty over E80/5524 (being one of the Tenements within the Kimberley Project). The existence of such royalties may impact the profitability and commercial viability of the Company's Projects should exploration on the Company's Project be successful). Further if State royalties increase in the future, the profitability and commercial viability of the Company's Projects may be negatively impacted.

(l) Climate Change Regulation

Mining of mineral resources is relatively energy intensive and is dependent on the consumption of fossil fuels. Increased regulation and government policy designed to mitigate climate change may adversely affect the Company's cost of operations and adversely impact the financial performance of the Company.

(m) Future Capital Needs

The future capital requirements of the Company will depend on many factors. The Company believes that the proceeds of the Offer should be adequate to fund its business activities in the short term as stated in this Prospectus. Changes to operational requirements, market conditions and the identification of other opportunities may mean further funding is required by the Company at an earlier stage than is currently anticipated.

Should the Company require additional funding, there can be no assurance that additional financing (whether debt or equity) will be available, either on acceptable terms or at all. Any inability to obtain additional funding, if required, will have a material adverse effect on the Company's business and its financial condition and performance and the Company's ability to continue as a going concern.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the Offer and may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

The Company may undertake offerings of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such Shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, voting power of the Company's existing shareholders will be diluted.

(n) New Projects and Acquisitions

The Company intends to actively pursue and assess new business opportunities in the resources sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, and/or direct equity participation. The acquisition of projects (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence or prior to the completion of comprehensive due diligence.

There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies advanced may not be recoverable, which may have a material adverse effect on the Company.

If an acquisition is completed, the Directors will need to reassess at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from the Projects and/or raising additional capital (if available).

Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the new project/business activities will remain.

(o) Granting of Licences and Permits

The Company will require various and many governmental, environmental, exploration and mining permits, rights, agreements and other necessary approvals that authorise the Company to conduct exploration, mining and processing operations. A decision by any agency or other party to deny the required approval or agreements, delay issuing or renewing the required approval or agreement, or to revoke or modify an existing approval or agreement, could have a material and negative effect on the Company, including the ability for the Company to continue operations. Establishing, continuing and expanding future operations is completed predicated on application and receipt of all the necessary approvals and permits, rights or access agreements, which may not necessarily be obtained quickly or at all.

(p) Resource and Reserve Estimates

Resource and reserve estimates are expressions of judgement which are based on the knowledge and experience of the person in making them. Resource and reserve estimates are valid and current when they are completed but are subject to change, sometimes materially, when updated data and other information becomes known or available through subsequent activities, such as drilling, sampling and analysis. Resource and reserve estimates can be imprecise because they can rely on interpretations that may change or prove to be flawed or inaccurate and based on current information. The Company could be required to modify resource or reserve estimates and as a consequence the Company may be required to adjust its plans and that these adjustments may adversely affect the Company.

The preparation of reserve and resource estimates are based on a competent person's expressions of judgment using available exploration and drilling results and other relevant information, supported by the person's experience. A more detailed understanding of mineral deposits may not be available until mining operations commence and may differ from the initial data used to prepare the initial resource and reserve estimation. The actual reserves and resources estimates may differ or change.

(q) Metallurgy

Silica sand recoveries are dependent upon the metallurgical process which may contain significant risks such as:

- (i) accuracy in the identification of a metallurgical process required to produce a commercial product;
- (ii) the identification of a process route that is economic and viable to produce a commercial product; and
- (iii) changes or variability in the mineralogy which creates inconsistency in product recovery, affecting the viability of the project.

(r) Changes to Demand or Production or Technology or Alternative Products

Prices for silica sand will be subject to demand for glass and other products that require silica sand in their manufacture. A reduction in glass or other products production may reduce demand for silica sand and as a consequence this may reduce the exploration and development and future production or proposed mining activities of the Company. This may have a material adverse effect on the Company's business and financial conditions generally. The development of new technology or alternative products technology that provide for an effective alternative to using silica sand, or the development of new processes that replace or reduce silica sand use, could have a material adverse effect on the Company's business and financial conditions.

(s) A Change in Purchases by Buyers

Buyers may change or decide not to continue to purchase from the Company. The Company may sell products to customers pursuant to a supply agreement. If any buyer substantially reduces or altogether stops purchasing the Company's product, it may mean that the Company is not able to replace the buyer quickly or at all, and as a result this could have a material adverse effect on the Company's business and financial conditions.

(t) Credit Risk of Export Customers

The Company is subject to commercial and credit risks, including non-payment or non-performance of obligations by its customers. This may include a failure in the Company's credit procedures in that the Company fails to understand or obtain an accurate creditworthiness, or fails to manage a deterioration in creditworthiness, which results in non-payment this could have a material adverse effect on the Company's business and financial conditions.

(u) Increasing Logistics Costs for Transport, Port and Shipping

Logistics costs for transport, port and shipping make up a significant component of the total cost of the Company's products. The cost of logistics could favour other silica sand suppliers that are located in closer proximity to road, rail or port and have a lower logistic costs than the Company. Labour disputes, road conditions or road closures, derailments, adverse weather conditions or other unknown events may interrupt or limit the transportation services available to the Company and could increase costs to the Company. The Company may not be able to pass on these increased costs to the customers, or the Company's ability to deliver the products to the customers may become uneconomic and this could have a material adverse effect on the Company's business and financial conditions.

(v) Maintaining Quality Control at the Mining and Processing Operation

The quality of the Company's products depend on the ability to successfully implement and manage the quality control systems, including training and compliance to the processes and guidelines. Any failure or deterioration in the quality control this could have a material adverse effect on the Company's business and financial conditions.

(w) Interruptions or Failures in Technology

The Company's operations may rely on sophisticated technology based systems, including process control technology. These systems may be susceptible to outages caused by events outside the Company's control, such as fire, floods, power loss, telecommunications failures, errors by employees, computer virus, cyber-attacks or other information technology security breaches, or similar events. The failure of any of technology based systems may cause disruptions in operations, which could have a material adverse effect on the Company's business and financial conditions.

(x) Weather Conditions

Weather conditions may result in having an effect on the Company's operations, including failures in not having sufficient stockpiles for the production process which could result in the Company not being unable to satisfy customer requirements during these periods and other costs the Company may occur in this event that this could have a material adverse effect on the Company's business and financial conditions.

(y) Shortage of Labour or Labour Disputes

The Company's operations will require trained or experienced personnel. If a shortage of personnel is encountered, or the Company is unable to train the necessary number of personnel or a labour disputes interrupts the availability of personnel, or the Company is not able to maintain good relations with its personnel, there could be an adverse impact on production and costs and the ability to maintain production and this could have a material adverse effect on the Company's business and financial conditions.

(z) No Profits have been Made by the Company

The Company has not made profits and has incurred losses since its inception, meaning it is not possible to evaluate its prospects based on past performance. The Company anticipates making further losses and there is no certainty that the Company will achieve or be able to sustain profitability.

(aa) Changes in Laws and Regulations

The Company's operations are subject to a many federal, state and local regulatory legislative requirements which can affect the industry in which the Company operates. These include, but are not limited to, those laws relating to employee health and safety, environmental, air and water emissions, carbon dioxide emissions,

pollution, waste management, soil and groundwater, land use, reclamation and restoration, hazardous materials, and many other areas. Laws typically impose penalties for non-compliance, and in some circumstances liabilities may be imposed as a result of conduct that was lawful at the time it occurred or for the conduct of, or conditions caused by, prior operators or other third parties. Future laws or regulations could restrict the ability for the Company to conduct or expand its operations or extract mineral reserves or otherwise mean the Company may incur significant expenses in connection with business. Future events, including changes or interpretation or enforcement of law and the costs associated with complying with such requirements, could have a material adverse effect on the Company's business and financial conditions.

GENERAL RISKS

(a) COVID-19 Risk

The outbreak of the novel coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. If any of these impacts appear material prior to close of the Offer, the Company will notify investors under a supplementary prospectus.

(b) Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption and the rate of growth of gross domestic product in Australia and other jurisdictions in which the Company may acquire mineral assets.

(c) Securities Investments

There are risks associated with any securities investment. The prices at which the Securities trade on ASX may fluctuate in response to a number of factors including:

- (i) the recruitment or departure of key personnel;
- (ii) actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- (iii) variations in the Company's financial results or those of companies that are perceived to be similar to the Company including changes caused by changes in financial accounting standards or practices or taxation rules or practices;
- (iv) announcements regarding litigation or other proceedings that involve the Company;
- (v) war or acts of terrorism or catastrophic disasters that disrupt world trade or adversely affect confidence in financial markets;
- (vi) other general economic, industry and market conditions; and
- (vii) other factors described in this Section 13.

(d) Share Market Conditions

Share market conditions may affect the value of the Securities, regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;

- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and mining and resources related stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(e) Liquidity Risk

There is no guarantee that there will be an ongoing liquid market for the Shares. Accordingly, there is a risk that, should the market for the Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

(f) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia or any other country that the Company may acquire economic interests in may affect the viability and profitability of the Company.

(g) Litigation

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of contractual claims, intellectual property claims, personal injury claims, mining title related disputes, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position and share price of the Company.

(h) Taxation Risk

The acquisition and disposal of Shares will have tax consequences for investors, which will vary depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of Securities from a taxation viewpoint and generally.



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