

AUSTRALIAN SILICA QUARTZ GROUP LIMITED

March 2020 QUARTERLY REPORT

Highlights

- 20 tonne trial shipment of silica sand product ASQ-GWW1 shipped by sea container to Shanghai, China from Fremantle with the sand purchased by customer on FOB basis at a profitable rate. This shipment is expected to be major step in securing ongoing bulk offtake
- The Company continues to receive a high level of interest from potential customers. Silica sand samples have been dispatched and negotiations on terms of trade are on-going
- Spiral and Classifier test work completed in January 2020 indicated a sand product from the upgraded plant of 99.94 % SiO₂ + Loss on Ignition and 60 ppm Iron is achievable.
- R&D test work continues with the aim of achieving a High Purity Silica product (>99.99% SiO₂)
- Work continued on silica sand projects at Albany, Esperance and Gingin and hard-rock quartz projects in the South West of WA and Far North Queensland.
- The Company continues to seek a Joint Venture partner to assist in fast tracking the development and funding of the Albany Silica sand project following the high level of interest for offtake of the Company's silica products
- Work continued to evaluate the potential for economic development on HD Mining Bauxite JV tenements. The current bauxite resource base is 93.2Mt Inferred Mineral Resource and 1.5Mt Indicated Mineral Resource (refer full detail in the 23 April 2018 Announcement – 48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA). HD Mining have an 'earn in' of up to 60% on a decision to mine
- Cash at bank at 31 March 2019 was A\$3.28m. The Company has no debt and additional assets including two unencumbered rural properties in the Bindoon area of Western Australia

22 April 2020



ASX Code: ASQ
AUSTRALIAN SILICA QUARTZ GROUP LTD

ABN: 72 119 699 982

DIRECTORS:

Robert Nash
Non Executive Chairman
Luke Atkins
Non Executive Director
Neil Lithgow
Non Executive Director
Zhaozhong Wang
Non Executive Director

CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY:

Sam Middlemas

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1. Mining lease M70/326 is held by Stefanelli Developments Pty Ltd. An agreement between Urban and Stefanelli grants Urban the exclusive right to conduct mining on M70/326 subject to an owner royalty and options up to 30 June 2022. Negotiations are continuing to extend the agreement for an additional 5 years to 30 June 2027.

ASQ/URBAN RESOURCES - SILICA SAND PROJECT

Silica Sand Resource

A JORC 2012 Inferred Mineral Resource of 10.7 million tonnes @ 99.8% SiO₂ has been completed on the raw sand at the Bullsbrook tenement M70/326⁽¹⁾ (refer to the Company's ASX release dated 23 April 2019: Marella Road Silica Sand Deposit Maiden Resource)

Two High Grade Silica Sand Products Developed

Spiral and Up Current classifier trials have been completed to confirm the final configuration of the upgraded washing plant, determine the expected sand product characteristics and generate a bulk sample to provide to potential end users. Two silica sand product specification have been developed. (ASQ (2020). *Silica Sand Testwork*. ASX Release 29 January 2020).

ASQ-GWW1 – Chemistry specification

Al	Al ₂ O ₃	Ti	TiO ₂	Fe	Fe ₂ O ₃	SiO ₂ + LOI
112 ppm	0.0212 %	343 ppm	0.057 %	138 ppm	0.020 %	99.9 %

ASQ-GWSC1 – Chemistry specification

Al	Al ₂ O ₃	Ti	TiO ₂	Fe	Fe ₂ O ₃	SiO ₂ + LOI
98 ppm	0.019 %	166 ppm	0.028 %	60 ppm	0.009 %	99.94 %

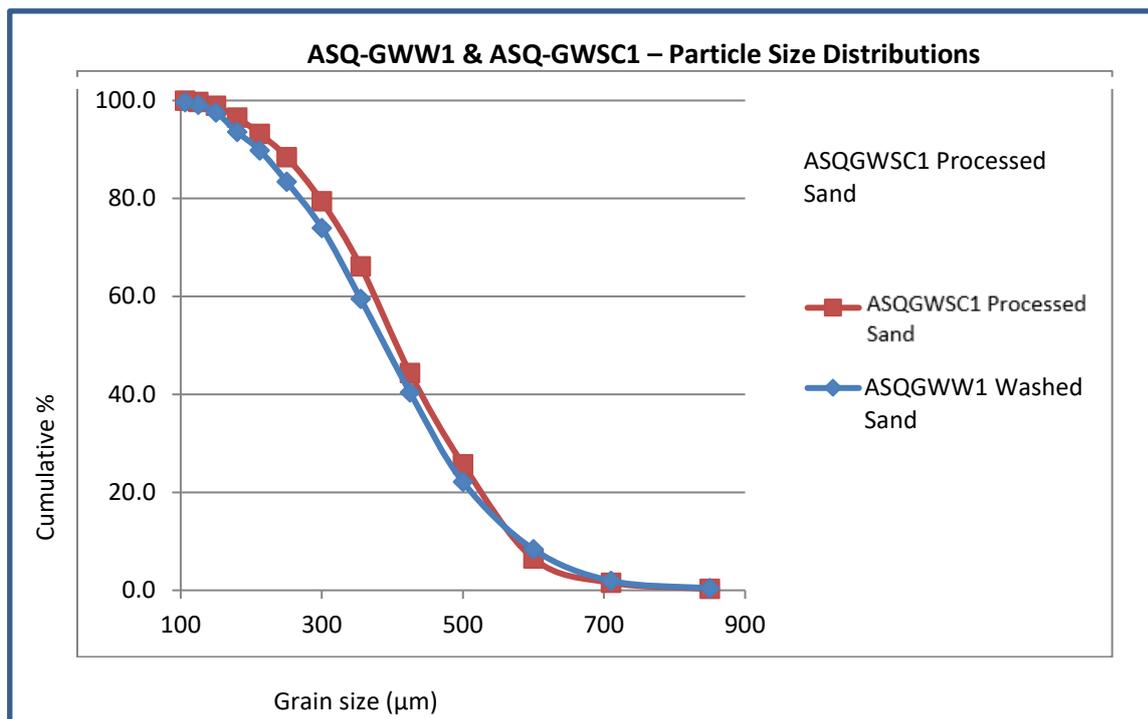


Figure 2: BR ASQ-GWW1 & ASQ-GWSC1 – Particle Size Distributions

Trial Shipment Underway

The company is in detailed negotiation with multiple potential sand customers. These customers have received samples and have agreed in principle to the pricing and terms.

On the 1st of April a 20-foot sea container with 20 tonnes of bagged ASQ-GWW1 was loaded onto a ship at Fremantle port bound for one of these customers in Shanghai, China. The Company received payment in advance for this trial shipment. The price was agreed on an FOB basis with the sand sold at a premium

to the expected bulk sand price to cover the additional costs of bagging and loading into a container. (ASQ (2020). *Trial Shipment of Silica Sand Product ASQ-GWW1 dispatched to China. ASX Release 3 April 2020*).

Preliminary Engineering Completed

Urban Resources, in conjunction with ASQ, have engaged process engineers to complete the engineering for the required plant upgrade on an EPCM basis. The preliminary design has been completed. The detailed design drawings and final equipment selection will commence once all necessary conditions precedent have been satisfied. It is expected that the plant upgrade will include upstream classifying, spiral circuit, dewatering screen and stockpiling.

Formal Agreements between ASQ and Urban

The Term Sheet between ASQ and Urban required the two companies enter into a Formal Agreement within 150 days of the Term Sheet execution. The parties have agreed to extend this process and finalisation of the Formal Agreement will be completed once all necessary conditions precedents from the executed Term Sheet have been satisfied.

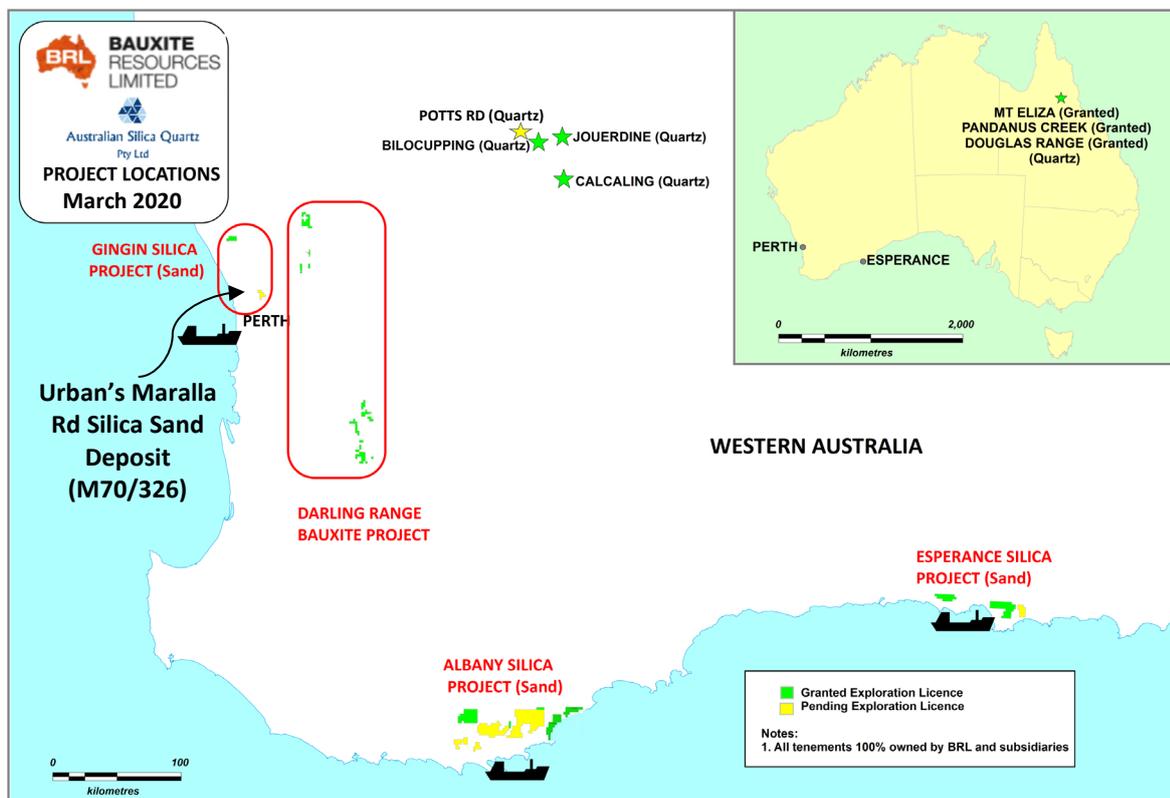


Figure 2: ASQ Project Locations

SILICA SAND PROJECTS – GINGIN, ALBANY AND ESPERANCE

The Gingin Silica Sand Project consists of one granted and one application exploration licences located 20-70 km north of Perth, the Albany Silica Sand Project consists of four granted exploration licences and four exploration application licences within 10-80 km of the Port of Albany, the East Esperance Silica Sand Project consists of two granted exploration licences 15-50 km East of the Port of Esperance.

Desktop assessment of historical exploration data across the several silica sand projects is well advanced along with investigations into logistics and market considerations. Areas of interest have been identified. Land access efforts are underway.

Roadside grab samples from the four Silica Sand Projects have returned encouraging results consistent with historically reported grades. Selected samples have been processed by washing, screening and density separation to give an indication of potential product characteristics with results up to 99.94% SiO₂ (ASQ (formerly BRL) (2018). *Silica Sand and Hardrock Silica Quartz Project Updates*. ASX Release 14 December 2017).

HARDROCK SILICA QUARTZ PROJECTS – WESTERN AUSTRALIA AND QUEENSLAND

The company has three granted exploration licences and one application exploration licence in the South West of Western Australia and three granted exploration permits in Far North Queensland. The leases cover known quartz deposits with the potential to contain high purity silica. Land access efforts are underway with preliminary fieldwork planned for 2020 subject to travel restriction resulting from Covid-19.

A research and development program is underway utilising samples collected from the companies tenement package. The program is investigating innovative processing techniques that could yield high purity product from high grade silica sand or quartz.

BAUXITE EXPLORATION ACTIVITIES UNDERTAKEN UNDER THE JOINT VENTURE WITH HD MINING

In 2010 the Company entered into a JV with HD Mining & Investment Pty Ltd (HD Mining) a wholly-owned subsidiary of the Shandong Bureau No1 Institute for Prospecting of Geology & Minerals (Shandong) to explore for bauxite. The JV provides for HD Mining to fund 100% of exploration and feasibility costs for HD Mining to earn:

- (a) a 40% interest in any defined area of exploration on the making a binding commitment by HD Mining to undertake a detailed feasibility study for the commercial mining of the defined area; and
- (b) a further 20% interest in a defined area upon completion of the feasibility study and the making by the JV committee of a decision to commence mining.

The current JV resource stands at 94.7Mt and consists of 93.2Mt Inferred Mineral Resource and 1.5Mt Indicated Mineral Resource (refer full detail in the 23 April 2018 Announcement – *48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA*).

ASQ and HD Mining continue to evaluate the potential for economic development of the Dionysus and the combined Ceres/Athena resource areas (Athena: 36.2Mt, 32.8% available alumina, 2.8% reactive silica, see ASX announcement 15/07/14, Dionysus: 20.3Mt, 32.6% available alumina, 3.4% reactive silica, see ASX announcement 24/03/14, Ceres 21.9Mt, 31.4% available alumina, 3.2% reactive silica, see ASX announcement 23/04/18).

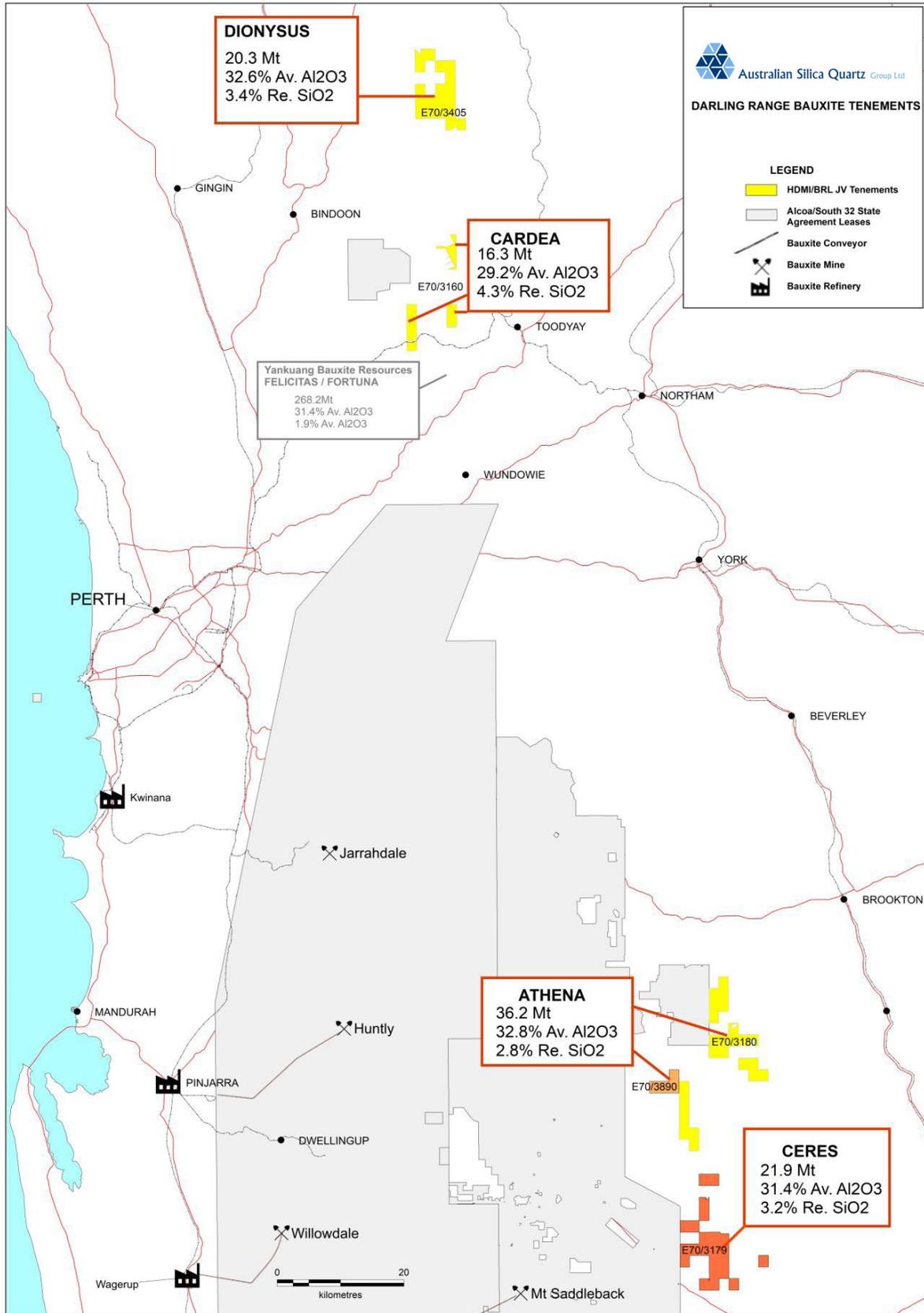


Figure 3 – ASQ/HD JV Mining Darling Range bauxite tenement holding and resource locations

CORPORATE

Cash Position and Shareholder Information

Australian Silica Quartz Group is in a strong financial position with significant cash reserves and no debt. As at 31 March 2020 the Company held AU\$3.28 million in cash.

As at 31 March 2020 the Company had 961 shareholders and 214,422,336 fully paid ordinary shares on issue with the top 20 shareholders holding 75.13% of the total issued capital. There are also 6,033,336 Performance Rights on issue subject to a Performance Hurdle by 10 November 2020, which if achieved will convert into 10,898,931 fully paid ordinary shares.

Future Operations

The Board will continue to focus on its Silica and Bauxite Projects, and seek to enhance the value of these through exploration and development activities.

The Board will continue to manage the Company in the best manner in which to maximise returns to shareholders.



Sam Middlemas, CEO, Australian Silica Quartz Group Ltd

22 April 2020

Competent persons statement

The information in this document that relates to exploration results is based on data collected under the supervision of Mr Nick Algie, in his capacity as Exploration Manager for Australian Silica Quartz Group Limited. Mr Algie is a registered member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience that is relevant to the type of deposit and style of mineralisation under consideration to qualify as a competent person under the 2012 edition of the “Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Algie consents to the inclusion of the data in the form and context in which it appears.

Forward Looking Statements

This report may include 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”, or other similar words and may include, without limitation, statements regarding plans, strategies, and objectives of management. 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 anticipated results, performance or achievements. 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. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

SCHEDULE OF MINING TENEMENTS HELD AS AT 31 MARCH 2020 (all 100% owned)

Tenement	Location/ Tenement Name	Status
E70/3160 (a)	Toodyay – Darling Range	Granted
E70/3405 (a)	Victoria Plains – Darling Range	Granted
E70/3179 (a)	Congelin – Darling Range	Granted
E70/3180 (a)	Dattening – Darling Range	Granted
E70/3890 (a)	Wandering – Darling Range	Granted
E63/1853	Merivale	Granted
E63/1962	Merivale East	Granted
E70/4983	Narrikup	Granted
E70/5058	Quin Brook	Granted
E70/5070	Jouerdine	Granted
E70/5071	Bilocupping	Granted
E70/5072	Calcaling	Granted
E70/5184	Hassell	Granted
E70/5262	Cheyne	Granted
E70/5270	Ridgetop	Granted
EPM 26702	Mt Eliza	Granted
EPM 26727	Pandanus Creek	Granted
EPM 26741	Douglas Range	Granted
E70/4982	Green Range	Application
E70/5144	Warbrook	Application
E70/5241	Redmond West	Application
E70/5242	Redmond East	Application
E70/5243	Redmond South	Application
E70/5288	Potts Rd	Application

- a) These tenements form the HD Mining & Investments Joint Venture. Under the terms of the Joint Venture, HD Mining is required to fund 100% of all exploration and feasibility costs to earn up to 60% of the bauxite rights. HD Mining is currently working towards obtaining a 40% interest in the bauxite rights on the tenements. This will be triggered if HD Mining enters into a binding commitment to undertake a feasibility study on the tenements. Should HD Mining and ASQ make a decision to mine, HD Mining will earn an additional 20% interest in bauxite rights. ASQ maintains 100% interest in other minerals. At the date of this report ASQ still has 100% interest in bauxite on these tenements.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Australian Silica Quartz Group Ltd

ABN

72 119 699 982

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	101	211
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(126)	(433)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	(7)
(e) administration and corporate costs	(194)	(663)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	52
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(205)	(840)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(1)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(1)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period	(205)	(841)
4.1	Cash and cash equivalents at beginning of period	3,481	4,117
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(205)	(840)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,276	3,276

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	176	281
5.2 Call deposits	3,100	3,200
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,276	3,481

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 133 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6 includes amounts paid to directors as follows:

Salary & Super	46k
Consulting fee	75k
Rent of premises paid to associates	12k

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(205)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(205)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,276
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,276
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	16
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 April 2020

Authorised by: 

By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.