

# AUSTRALIAN SILICA QUARTZ GROUP LIMITED

## MOU TERMS SHEET AGREED FOR BULK SILICA SAND EXPORTS



1 February 2022

### HIGHLIGHTS

- MOU Terms Sheet signed for export of up to 45,000 tonnes per month of silica sand from Marella Road, Bullsbrook, WA
- Terms Sheet builds on the ongoing export of silica sand by sea containers
- Offtake Partner is C&D Logistics Group Co., Ltd. ('C&D') a subsidiary of Xiamen C&D Inc. a *Fortune* Global 500 company listed in Shanghai
- Export product will be ASQ-GWSC1, a sub 100ppm Fe<sub>2</sub>O<sub>3</sub> silica sand suitable for the manufacture of solar panel cover glass
- Terms are mutually agreed for the initial 24-month term
- C&D will have first option on any additional supply capacity at the prevailing market price
- C&D have received samples of the Bullsbrook silica sand with their testing confirming suitability
- Exports subject to ASQ securing port access, completing plant upgrade, and finalising formal export venture agreements with Urban Resources Pty Ltd and signing a formal agreement with C&D
- ASQ and C&D will work together to secure sea freight for the silica sand at or below an agreed target shipping cost

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**AUSTRALIAN SILICA QUARTZ GROUP LTD**

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ASQ Drilling the Marella Road Bullsbrook Silica Sand Deposit



Urban's existing Marella Road Bullsbrook Sand Operation



**Australian Silica Quartz Group Limited** (ASX:ASQ, “ASQ” or “the Company”) is pleased to announce it has entered into a Memorandum of Understanding Terms Sheet (“**Terms Sheet**”) with C&D Logistics Co., Ltd. (“**C&D**”) for the offtake and export of silica sand product ASQ-GWSC1. ASQ will endeavour to secure all necessary government, statutory, and third party required approvals, consents, agreements and licenses that are required to mine, transport and ship the Product.

Chinese company C&D Logistics Co., Ltd. is a subsidiary of *Fortune* Global 500<sup>1</sup> company Xiamen C&D Inc. (established exclusively by Xiamen C&D Group Co., Ltd and listed on the Shanghai Stock Exchange in 1998 with a current market capitalisation of US\$25b). C&D approached ASQ in 2021 with interest in securing silica sand suitable for supplying the solar glass industry in China. Following receipt of samples of ASQ’s sand products, C&D have completed independent quality testing confirming suitability of ASQ-GWSC1 for the intended application.

ASQ will supply C&D with ASQ-GWSC1 from the Urban Resources Pty Ltd (“**Urban**”) Marella Road sand operation located in Bullsbrook, Western Australia. ASQ-GWSC1 is the washed, density separated and sized product from Marella Road which has an Fe<sub>2</sub>O<sub>3</sub> content of <100ppm, it is understood this is a critical characteristic for sand used in the manufacture of solar panel cover glass.

In 2019 the Company executed a binding terms sheet with Urban to jointly exploit Urban’s Silica Sand deposit located in Bullsbrook, Western Australia. Urban has operated the mine for the last six years and produced over 1Mt of sand for the domestic market from the deposit in the last two years. Prior to commencing the exports ASQ and Urban will need to finalise a formal joint venture agreement in accordance with the binding 2019 terms sheet.

ASQ have completed a JORC 2012 Inferred Mineral Resource totalling 10.7 million tonnes on the raw sand at Urban’s Maralla Road tenement M70/326 (refer full detail in the 7 May 2019 announcement *Update on Maralla Road Silica Sand Deposit Maiden Resource* and 29 January 2020 announcement *Spiral and Classifier Testwork Results for the M70/326 Silica Sand Products*).

ASQ will complete modifications to the Urban sand washing plant including the addition of a gravity separation spirals circuit and sizing screening expected to cost around \$3-4 million.

The Terms Sheet sets the FOB pricing structure at a rate that is expected to provide ASQ with payback for the required plant upgrade in under 18 months.

Throughout the second and third quarters of 2021 the unusually high international sea freight rates meant shipping silica sand to northern Asian ports from Western Australia was likely sub-economic. The time charter rates for bulk cargo vessels suitable for exports of silica sand from Kwinana dropped significantly in the 4<sup>th</sup> quarter of 2021. ASQ has commenced detailed discussions with shipping brokers in preparation for seeking sea freight offers.

Ahead of commencing the exports ASQ will need to secure bulk export berth access at the Kwinana port along with near-port stockpile storage facilities.

### **Competent persons statement**

The information in this document that relates to exploration results and mineral resources 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.

### **This announcement has been approved for release by the Board**

<sup>1</sup>Note: The Fortune Global 500, also known as Global 500, is an annual ranking of the top 500 corporations worldwide as measured by revenue. The list is compiled and published annually by Fortune magazine.

## About Australian Silica Quartz Group Limited

### *ASQ DEVEX 50/50 JV (non-dilutable at ASQ's election)*

ASQ has entered into a joint venture with DevEx Resources ("DevEx" ASX:DEV) on its 100% owned E70/3405 tenement located along strike from Chalice Gold Mines ("Chalice" ASX:CHN) nickel copper platinum group elements Julimar discovery in WA. The first \$3M expenditure on the JV area is to be fully funded by DevEx to earn 50%. ASQ has the option to jointly fund future expenditure to maintain 50% share or opt to allow DevEx to fund the next \$3M to earn a further 20% share in non-bauxite minerals. Initial geochemical and geophysical exploration work returned positive results. Recently completed aircore drilling has defined a layered, differentiated mafic-ultramafic intrusion, extending over 12 kilometres in length. (refer full detail in the 1 June 2020 announcement *ASQ reaches agreement for funding of exploration on its tenement in Julimar Region, WA*, 8 October 2020 announcement *Update on Geophysics Targets at ASQ/DevEx JV in Julimar Region, WA*, 19 August 2020 announcement *Update on ASQ/DevEx 50/50 JV in Julimar Region, WA*, 4 December 2020 announcement *DevEx Exploration Update*, 27 April 2021 announcement *Drilling confirms Mafic-Ultramafic Intrusion at Sovereign* and 17 August 2021 announcement *12km Long Mafic-Ultramafic Intrusion at Sovereign, Large Scale Ground EM and Diamond Drilling set to Commence*)

### **SILICA**

ASQ has established a range of silica sand and hardrock projects held via exploration licence applications 100% owned by ASQ's subsidiary Australian Silica Quartz Pty Ltd. These projects now consist of 10 granted exploration licences and 6 applications covering approximately 1,500 km<sup>2</sup> within Western Australia and Queensland.

High grade silica (99.5-99.9% SiO<sub>2</sub>) and high purity silica (>99.95% SiO<sub>2</sub>) currently have a wide range of applications. All indications suggest the high grade and high purity silica market is currently growing strongly due to greater demand from the PV Solar, TFT glass, Electronics, Flat Glass and Speciality Glass industries. This is reinforced by the level of enquiries received from qualified end user customers the Company has received primarily from China and South East Asia.

### **SILICA SAND**

ASQ's high grade silica sand projects are located in the regions of Albany, Gingin and Esperance in the southwest of Western Australia.

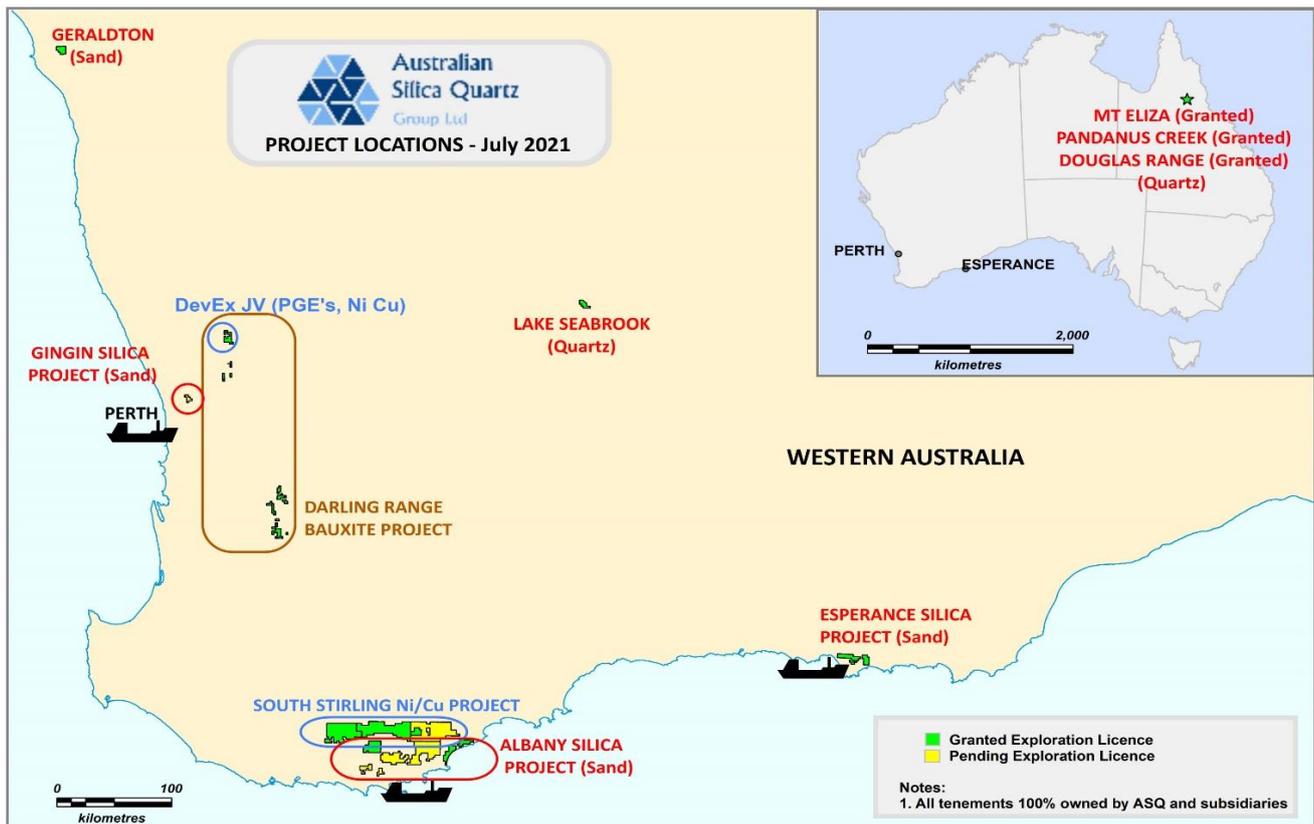
In the shorter term these projects potentially present the opportunity for the Company to produce a washed DSO silica sand product with longer term potential to enter the higher value higher grade silica sand market with a niche processed product.

ASQ is currently working on a Scoping Study for the 11.6Mt Albany White Hill high grade, low iron Silica Sand Project (refer full detail in the 28 January 2021 announcement *High Grade, Low Iron Silica Sand Resource*). The Albany White Hill Project is located on farmland cleared of native vegetation 70 km east northeast of the port of Albany.

In addition to its wholly owned silica exploration projects ASQ has reached an agreement with an existing local sand producer. In 2019 the Company executed a binding terms sheet with Urban Resources Pty Ltd (Urban) to jointly exploit Urban's Silica Sand deposit located in Bullsbrook, Western Australia. Urban has operated the mine for the last six years and produced over 1Mt from the deposit in last two years. The ASQ/Urban Resources agreement presents the Company with the opportunity to potentially fast track its entry into the DSO silica sand export market. ASQ have completed a JORC 2012 Inferred Mineral Resource on the raw sand at Urban's Maralla Road tenement M70/326 (refer full detail in the 7 May 2019 announcement *Update on Maralla Road Silica Sand Deposit Maiden Resource* and 29 January 2020 announcement *Spiral and Classifier Testwork Results for the M70/326 Silica Sand Products*).

### **HARDROCK QUARTZ R&D**

The Company is undertaking an R&D program aiming to develop a high purity, high value silica quartz product. To this end the Company has secured a number of hardrock quartz tenements and is progressing with a research and development project in this area. Assays from rock chip sampling of ASQ's hard rock tenements reported grades of up to 99.993% SiO<sub>2</sub> with processed hard rock samples demonstrating further grade improvement (refer full detail in the 15 December 2021 announcement *Exploration and Research Update Hardrock High Purity Quartz and Silica - Revised*).



### **SOUTH STIRLING Ni/Cu PROJECT**

ASQ has established the South Stirling Ni/Cu Project by way of four exploration lease applications lodged covering 1,603 km<sup>2</sup> over the Albany Fraser Mobile Belt, South-Western WA where the Company has identified a historic end of hole aircore drilling assay of 1.5m at 0.79% Ni, 934 ppm Cu, 832 ppm Co from 28.5m that was never followed up. ASQ considers the application area has potential for Nickel-Copper magmatic sulphide mineralisation associated with mafic-ultramafic intrusions emplaced into granulite facies country rocks. (refer full detail in the 23 September 2020 announcement *Exploration Update*).

### **BAUXITE JV**

ASQ has a joint venture with HD Mining & Investments Pty Ltd (HDM). HDM is currently working towards obtaining a 40% interest in the bauxite rights of several tenements under the joint venture which are wholly owned by ASQ. Exploration activities are fully funded by HDM. Should HDM and ASQ make a subsequent decision to mine, then HDM will earn an additional 20% interest in bauxite rights on the tenements. ASQ maintains 100% interest in all other minerals. A ninety-five million tonne Bauxite JORC resource has been identified under this JV (Refer Company Annual Financial Report for 2020 - Mineral Resources and Ore Reserves section).

### **BAUXITE ROYALTY**

Following the sale of the Bauxite Resources Joint Venture Bauxite Project to Yankuang Group a royalty on future bauxite sales from the project of 0.9% of FOB price payable to ASQ was negotiated. The Yankuang

Group bauxite project contains in excess of 300 million tonnes in the world class bauxite region in the Darling Range, Western Australia. ASQ is entitled to a royalty of 0.9% of the FOB price on the first 100 million tonnes mined (under current prices of Bauxite this royalty would equate to approx. A\$0.50/tonne) (refer full detail in 30 November 2015 announcement *Final Agreements signed with Yankuang for sale of Joint Venture Interest and Buy Back of Shares*).