

AUSTRALIAN SILICA QUARTZ GROUP LIMITED

UPDATE ON KWINANA PORT ACCESS FOR SILICA SAND EXPORT



26 April 2022

KEY POINTS

- ASQ has been unable to secure silica sand export capacity at the Kwinana Port for 2022 following ongoing discussions with the Fremantle Port Authority ('FPA')
- ASQ were planning to export 45,000 tonnes per month of silica sand from the 10.7Mt Marella Road silica sand resource located at Bullsbrook, WA to its customer C&D Logistics Group Co., Ltd. ('C&D') under a Memorandum of Understanding Terms Sheet ('Terms Sheet') executed in February 2022
- The Terms Sheet covers export of silica sand product ASQ-GWSC1, a sub 100ppm Fe₂O₃, 99.94% SiO₂ sand suitable for the manufacture of solar panel cover glass subject to ASQ securing port access and other conditions precedent
- FPA have informed ASQ that there is no capacity at the Kwinana Bulk Terminal for additional exporters in 2022
- FPA advise a decision on whether to upgrade the export infrastructure at Kwinana is being considered as part the outer harbour development and overall port strategy
- ASQ will now explore alternative export options to discuss with C&D

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Australian Silica Quartz Group Limited (ASX:ASQ, 'ASQ' or 'the Company') provides the following update on the Company's efforts to secure access to an export berth at the Kwinana Port.

Background

In February 2022 ASQ 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 for use in the manufacturing of solar panels and other industrial applications (refer full detail in the 1 February 2022 announcement *MOU Terms Sheet agreed for Bulk Silica Sand Exports*).

The Terms Sheet was subject to various conditions precedent including ASQ securing export port access.

Chinese company C&D Logistics Co., Ltd. is a subsidiary of *Fortune* Global 500¹ 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 planned to 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 Fe₂O₃ 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 85 km from the port. 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.

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*).

The Terms Sheet set the FOB pricing structure at a rate expected to provide ASQ with payback for the required capital expenditure in under 18 months.

Port Access Update

The bulk commodities berth Kwinana Bulk Terminal ('**KBT**') is recognised as being suitable for the export of silica sand having historic usage for iron ore, bauxite, coal and silica sand. KBT is operated by the Fremantle Port Authority ('**FPA**'), a Western Australian Government trading enterprise under the Port Authorities Act 1999 and Port Authorities Regulations 2001.

ASQ has been engaged with FPA over several years as the silica sand project developed and the likelihood of achieving sales agreements increased. During 2021 export of iron ore and bauxite from the berth ceased giving ASQ the expectation that there would be capacity coming available.

The FPA has recently advised that there is no capacity available for additional export business at KBT during 2022 due to a number of factors including revised target berth utilisation and existing customer commitments that impact current available capacity.

An upgrade of the ship loader has been discussed, however ASQ understands the FPA is considering how export capacity for new business fits into the overall Fremantle ports strategy.

FPA have instructed ASQ to contact them in the third quarter of 2022 to see if there is any available capacity in 2023. ASQ intends to continue discussions with the FPA but cautions readers it does not expect significant changes to berth availability at this time.

¹Note: 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.

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

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 km² within Western Australia and Queensland.

High grade silica (99.5-99.9% SiO₂) and high purity silica (>99.95% SiO₂) 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.

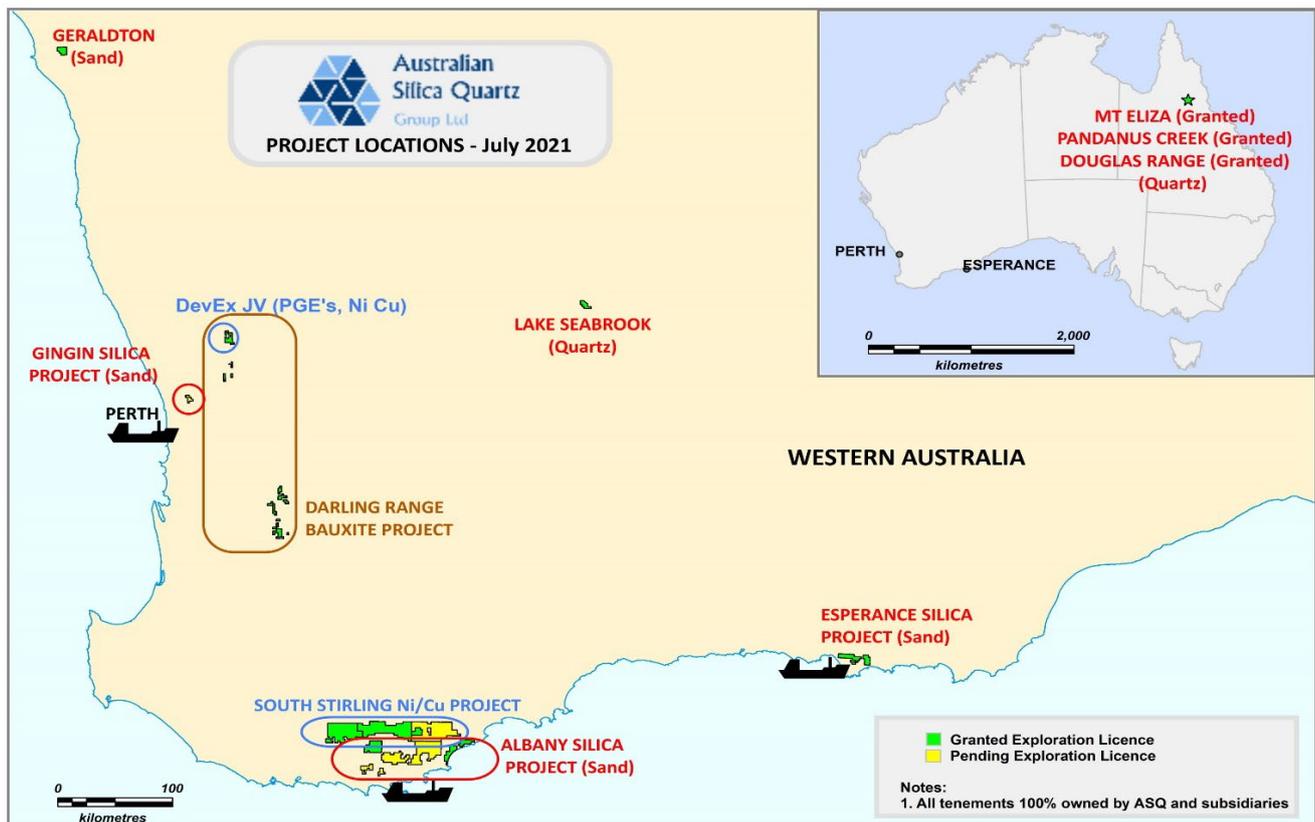
In the shorter term these projects potentially present the opportunity for the Company to produce a washed DSO silica sand product with longer term potential to enter the higher value higher grade silica sand market with a niche processed product.

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. ASQG 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% SiO₂ 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 km² 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*).