



Australian Silica Quartz Group Ltd

ABN 72 119 699 982

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 30 June 2021 and any public announcements made by Australian Silica Quartz Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Silica Quartz Group Ltd (ASQ) and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

The names of the Company's directors who held office at the end of the half-year are as follows.

Robert Nash – Non Executive Chairman

Neil Lithgow – Non Executive Director

Luke Atkins – Non Executive Director

Pengfei Zhao – Non Executive Director

REVIEW OF OPERATIONS

BUSINESS DIRECTION AND BOARD STRATEGY

During the half-year ending 31 December 2021 the Company's main focus has been the exploration and development of Silica Sand projects in Western Australia, Hard Rock Silica Quartz projects in the Southwest of WA and Far North Queensland, Darling Range bauxite projects held within the HD Mining Joint Venture and exploration of the South Stirling Project in WA for Nickel/Copper sulphide deposits.

Exploration of the Sovereign Copper Nickel PGE prospect on ASQ's tenement E70/3405 advanced at a rapid pace under the joint venture between ASQ and DevEx Resources Limited ("DevEx", ASX: DEV).

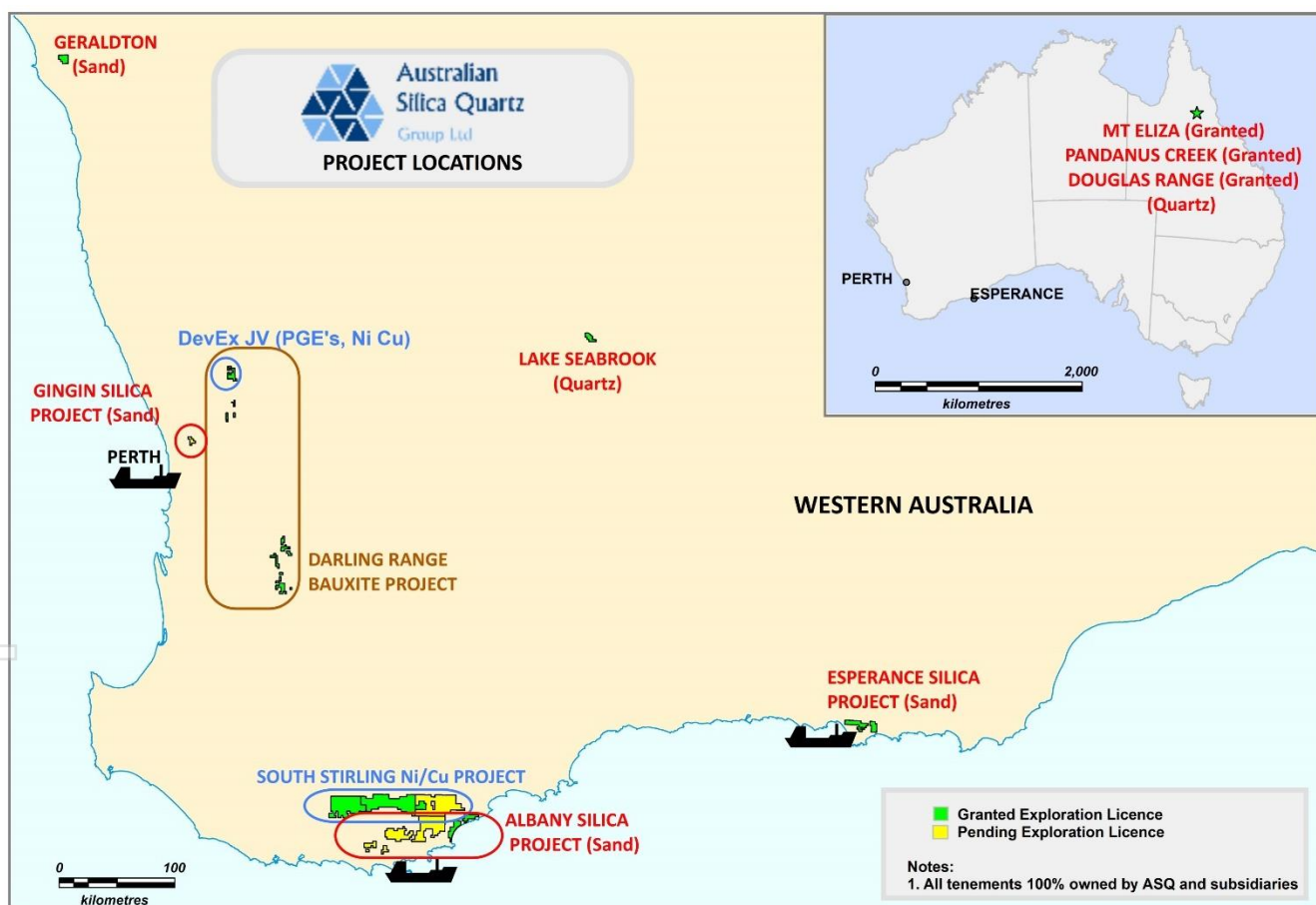


Figure 1: ASQ Project Locations

Directors' Report cont.

SILICA

Albany White Hill Silica Sand Project

The Company has entered into an Exploration and Mining Access agreement ("Access Agreement") on a private freehold property located 70km east of Albany (See Figure 2). This property was selected following extensive desktop assessment and roadside reconnaissance over +18 months.

The Access Agreement covers an area of 189 Ha located on ASQ's 100% owned exploration licence E70/5262 and covers access for both exploration and also for mining should the project progress to development. The project area is currently used for tree farming and has been previously cleared of native vegetation.

The Company has completed a Mineral Resource Estimate totalling 11.6 Mt with >99.9% SiO₂ and <50 ppm Fe₂O₃ and extends over a strike length of 1,650m and has a maximum width of 1,565m (ASQ (2021). *Maiden High Grade, Low Iron, Silica Sand Resource*. ASX Release 28 January 2021).

Table 1: Albany White Sand Hill Silica Sand Deposit January 2021 Inferred Mineral Resource Estimate

Size Fract	Tonnes	Yield	Fe ₂ O ₃	Al ₂ O ₃	TiO ₂	CaO	K ₂ O	Na ₂ O	MgO	ΣOx.	SiO ₂ +LOI
	Mt	(%)	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	%
Fine	8.2	70.6	46	145	410	12	16	19	10	0.07	99.93
Coarse	3.4	29.1	43	137	668	6	12	19	3	0.09	99.91

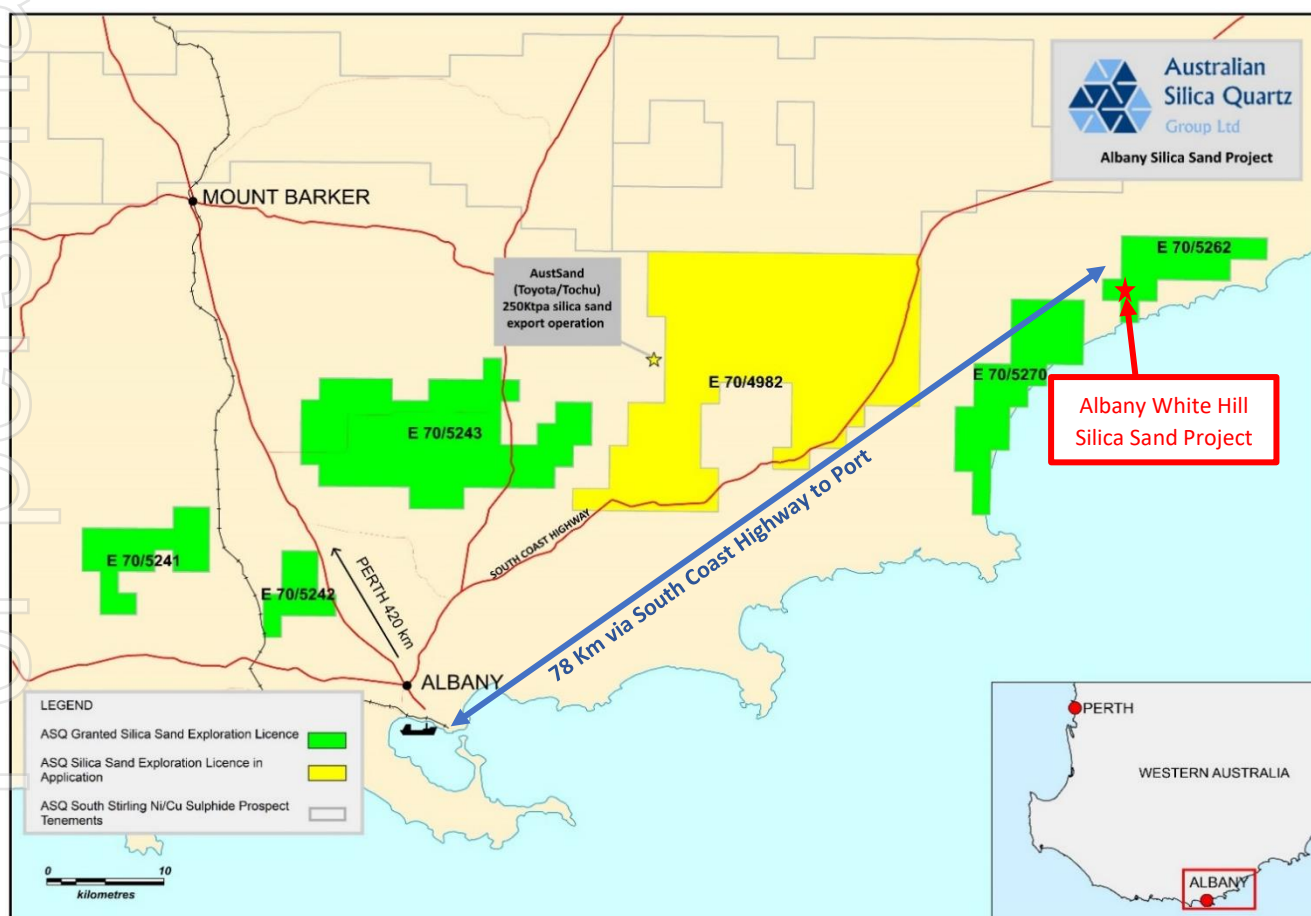


Figure 2: Location of the ASQ's Albany silica sand tenements and Albany White Hill Silica Sand Project on E70/5262 east of Albany. ASQ's South Stirling Ni-Cu Sulphide tenements shown for context. Other holder tenements not shown.

Directors' Report cont.

Metallurgical testwork results indicate the silica sand is readily processed by conventional washing and gravity separation to produce a very high-grade silica sand product that has potential for industries such as general and specialty glass making including solar panel cover glass and optical glass. Other potential applications include foundry and filter sands, electronics component manufacturing and engineered stone manufacturing. The sand is expected to be high yielding with little waste produced (ASQ (2021). *Maiden High Grade, Low Iron, Silica Sand Resource*. ASX Release 28 January 2021).

A Scoping Study looking at the suitability of the deposit for development into a 0.5 – 1.0 Mtpa export operation is progressing. Preliminary assessment of metallurgy and process plant design, environmental assessment, water supply, the sand market and port access has given the Company confidence that these aspects of the project are achievable within the expected economic and regulatory constraints.

The transport of the sand 15-20km from the deposit to the South Coast Highway for road haulage into the Albany Port requires further investigation. The Company has completed a desktop scoping study looking at the options for trucking or slurry pumping the sand away from the mining operation. Slurry pumping is currently the preferred option and several routes have been identified. Discussions with the relevant landholders is underway. It is expected that preliminary engineering design on the slurry pumping operation will be completed prior to finalising the Scoping Study outcomes.

ASQ/Urban Resources Business Venture – Silica Sand Export Project

Following the completion of the reporting period 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 up to 45,000 tonnes per month of silica sand product ASQ-GWSC1 for an initial term of 24 months. 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 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 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 SiO₂ + LOI grade of 99.94% and Fe₂O₃ content of <100ppm, it is understood this is a critical characteristic for sand used in the manufacture of solar panel cover glass (refer full detail in the 29 January 2020 announcement *Spiral and Classifier Testwork Results for the M70/326 Silica Sand Products*).

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 Mineral Resource estimation on the raw sand at Urban's Maralla Road tenement M70/326 totalling 10.7 million tonnes of silica sand, reported in accordance with the 2012 JORC code (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.

C&D will have the first option on any additional production capacity at the prevailing market price.

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 charter rates for bulk cargo vessels suitable for exports of silica sand from Kwinana dropped significantly in the 4th 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.

Throughout 2021 the company continued to export low volumes of bagged ASQ-GWW1 silica sand product to a customer in Busan, South Korea by sea container.

Directors' Report cont.

JULIMAR ASQ/DEVEX JOINT VENTURE - NICKEL COPPER PGE'S

ASQ and DevEx Resources Limited are engaged in a joint venture (JV) on the portion of the Sovereign magnetic complex located on ASQ's E70/3405 with DevEx earning-in to the non-bauxite rights of the tenement by an initial spend of \$3m to earn a 50%. Once DevEx has earned its initial 50% interest, ASQ may elect to contribute to further exploration to maintain its 50% interest or opt to allow DevEx to spend an additional \$3m to earn a further 20% interest with ASQ diluting (ASQ (2020). *ASQ Reaches Agreement for Exploration Funding of its Tenement in Julimar Region, WA. ASX Release 1 June 2020*).

E70/3405 and the Sovereign magnetic complex is located along strike from the globally significant Chalice Mining Ltd (ASX: CHN) nickel-copper-platinum group elements (Ni-Cu-PGE) Julimar discovery to the south and the Caspin Resources Ltd (ASX:CPN) Yarawindah Brook Ni-Cu-PGE project to the north (see Figure 3).

The Sovereign intrusion has been outlined by aircore drilling and has a near surface strike of at least 12km in length with elevated palladium + platinum (PGE), multi-element geochemistry and petrology all consistent with the upper portions of a differentiated mafic-ultramafic intrusion, ranging from leuco-gabbro to mela-norite, gabbro-norite and olivine pyroxenite (metamorphic equivalent).

These rocks are likely analogous to the western margin of Chalice Mining Limited's Gonneville Intrusion (located 40km to the south), where gabbro-norite and pyroxenite rocks form the upper differentiated layer with the lower, more-Ni-Cu-PGE rich serpentinite (harzburgite) lying beneath and forming the lower layer.

DevEx completed the drilling of three stratigraphic diamond drill holes for 1,507.3m during the quarter which demonstrate a thick and extensive sequence of differentiated mafic-ultramafic intrusive rocks and with confirmation of low grade disseminated Ni-Cu sulphide mineralisation within gabbro-norite and pyroxenite rocks, supports the potential for the 12-kilometre intrusion to host significant concentrations of Ni-Cu-PGE mineralisation (ASQ (2021). *Disseminated Ni-Cu sulphides in drilling - Sovereign Project. ASX Release 10 November 2021, and Drilling Results Confirm Prospective Intrusion at Sovereign. ASX Release 23 December 2021*).

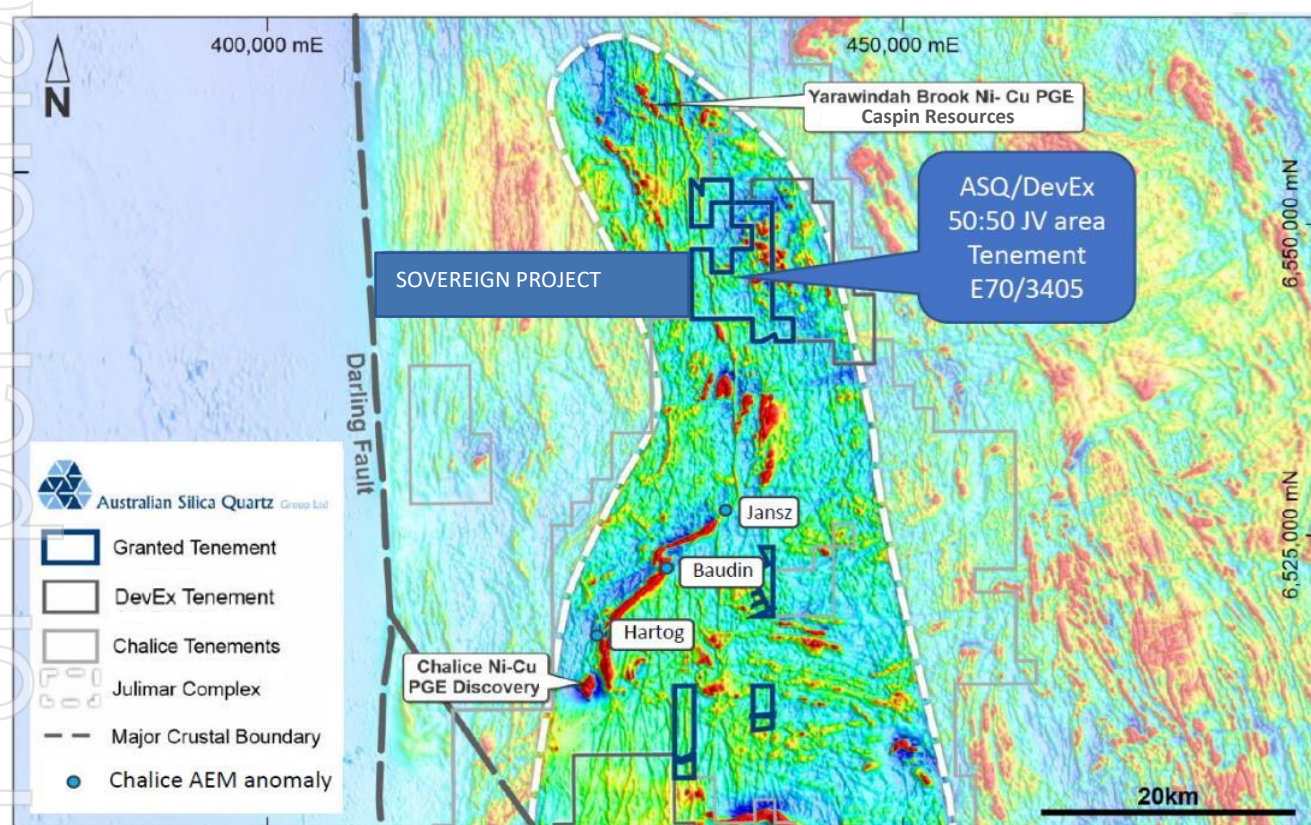


Figure 3: Location of Julimar Complex Sovereign Project with existing Ni-Cu-PGE discoveries on Aeromagnetic RTP image

Directors' Report cont.

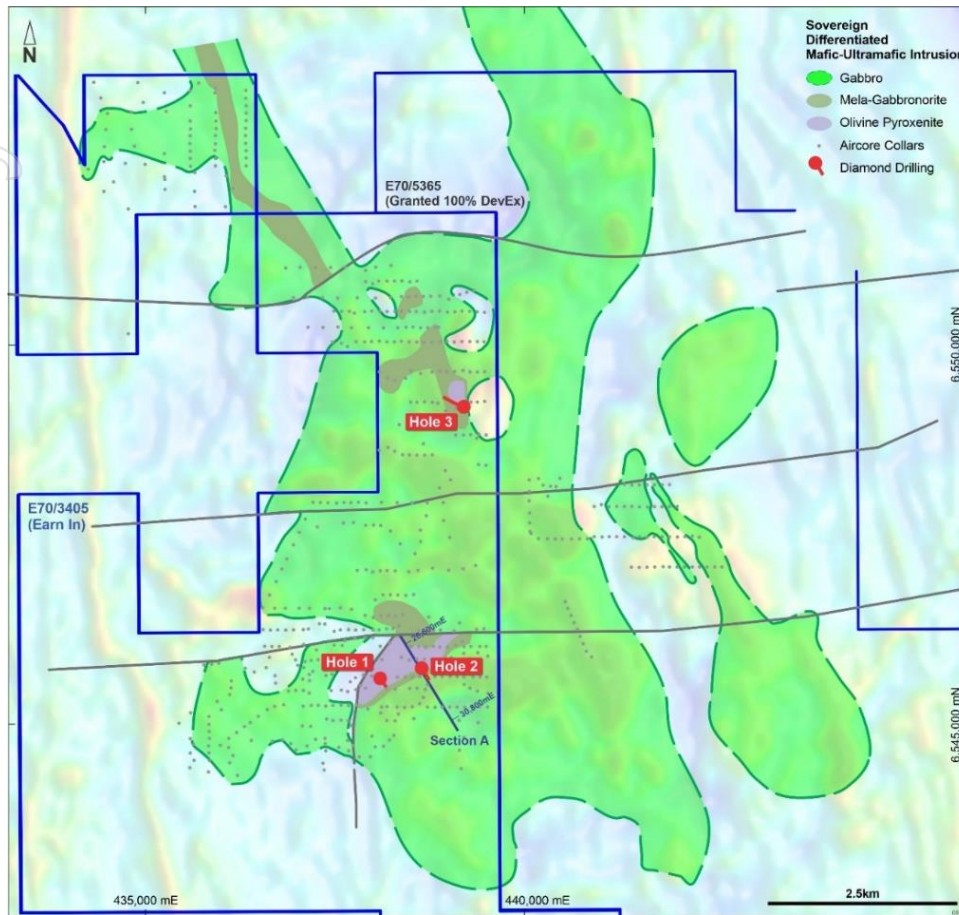


Figure 4: Location of three diamond drill holes 21SVDD01 (Hole 1) - 21SVDD03 (Hole 3). Local grid provided for context to Figure

The Earlier AEM survey is now considered to have been depth-restrictive and therefore unlikely to have tested the full vertical extent of the prospective intrusion, including the more prospective ultramafic which may underlie the gabbroic rocks.

As a result, an extensive programme of ground-based EM is underway. This ground EM survey is designed to test for massive sulphide Ni-Cu-PGE mineralisation with priority given to several windows where the lower ultramafic and mela-gabbro-norites have been exposed near-surface.

SOUTH STIRLING Ni/Cu COPPER PROJECT - 1,600km² STRATEGIC LANDHOLDING – ALBANY FRASER BELT, WA

ASQ has secured a strategic landholding position in the Biranup Zone of the Albany-Fraser Orogeny located in the south-west of Western Australia in the shires of Plantagenet and the City of Albany (see Figure 5 & 6) following the identification of an anomalous drill hole with elevated Ni, Cu and Cr (ASQ (2020). *Exploration Update. ASX Release 23 September 2020*). Iluka drill hole W00324 was logged as ending in dark orange-brown saprolite at a depth of 28.5 – 30 m. The Company considers the copper, nickel, and chromium results to be highly anomalous. Key element assay results for the W00324 end of hole sample are given in Table 2.

The Company considers the project area has the potential for Nickel-Copper magmatic sulphide mineralisation associated with mafic-ultramafic intrusions emplaced into granulite facies country rocks.

ASQ is planning to undertake initial drilling aimed to validate the Iluka result and complete close spaced step out holes during the current summer field season.

Table 2: EOH assay results for Iluka air-core drill hole W00324

Easting	Northing	From	To	Cu	Ni	Co	Cr	Zn
mGDA94	mGDA94	metres	metres	ppm	%	ppm	%	ppm
602024	6172779	28.5	30	974	0.79	832	0.52	523

Directors' Report cont.

The Company is continuing to develop an exploration strategy for the greater application area.

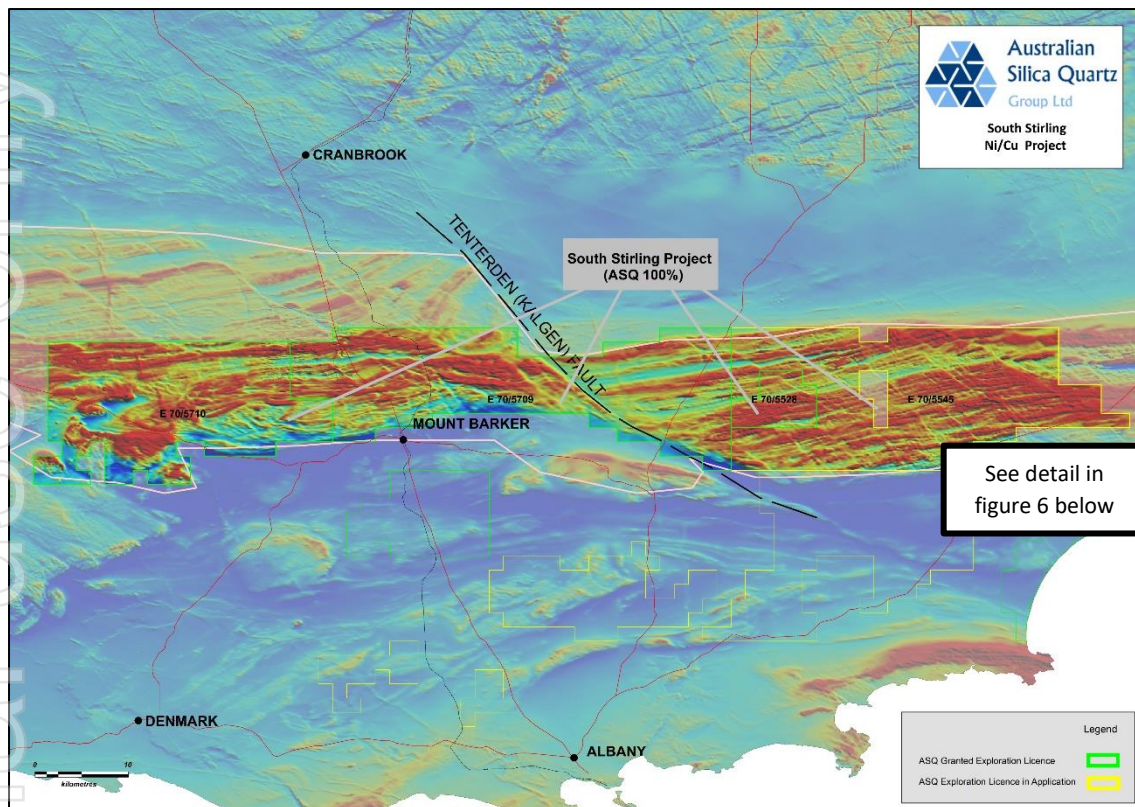


Figure 5: ASQ tenements overlying airborne magnetics with the outline of the Biranup Zone of the Albany-Fraser Mobile Belt. ASQ Albany Silica Sand Project tenements shown for context. Other holder tenements not shown. Albany Fraser Mobile Belt – Biranup Zone from the GSWA 1:500,000 Interpreted Bedrock Geology

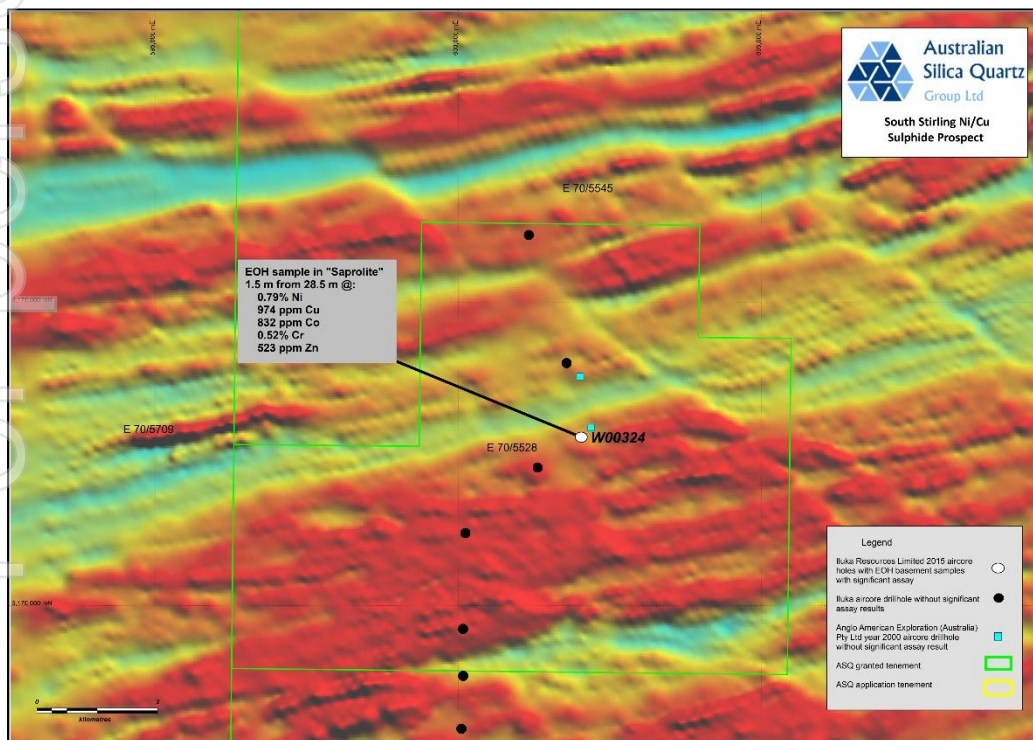


Figure 6: Iluka and Anglo American Exploration (Australia) Pty Ltd broad spaced drilling overlying airborne magnetics within ASQ exploration Licence applications E70/5528 (central), E70/5545 (east) & E70/5546 (west)

Directors' Report cont.

HARDROCK SILICA QUARTZ PROJECTS – WESTERN AUSTRALIA AND QUEENSLAND

The Company has one granted exploration licences in Western Australia and three granted exploration permits in Far North Queensland covering 286km² in total. The leases cover known quartz occurrences with the potential to contain high purity silica.

Testwork of rock chip samples from the Western Australian Lake Seabrook Project has returned grades of 99.98% SiO₂ and ASQ Far North Queensland rock chip sampling on granted tenements has returned results up to 99.99% SiO₂ after acid washing (ASQ (2021). *Hardrock High Purity Quartz and Silica Update – Revised. ASX Release 15 December 2021*).

A Research and Development program is underway utilising samples collected from the Company's tenement package. The program is comparing innovative processing techniques with conventional methods with the aim of producing a high purity product ("HPQ") from ASQ's existing prospects. Testwork to date indicates the innovative processing flowsheet developed by ASQ's HPQ R&D program compares favourably to conventional processing methodology (ASQ (2021). *Hardrock High Purity Quartz and Silica Update – Revised. ASX Release 15 December 2021*).



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 (ASQ (2020). *48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA. ASX Release 23 April 2018*).

Directors' Report cont.

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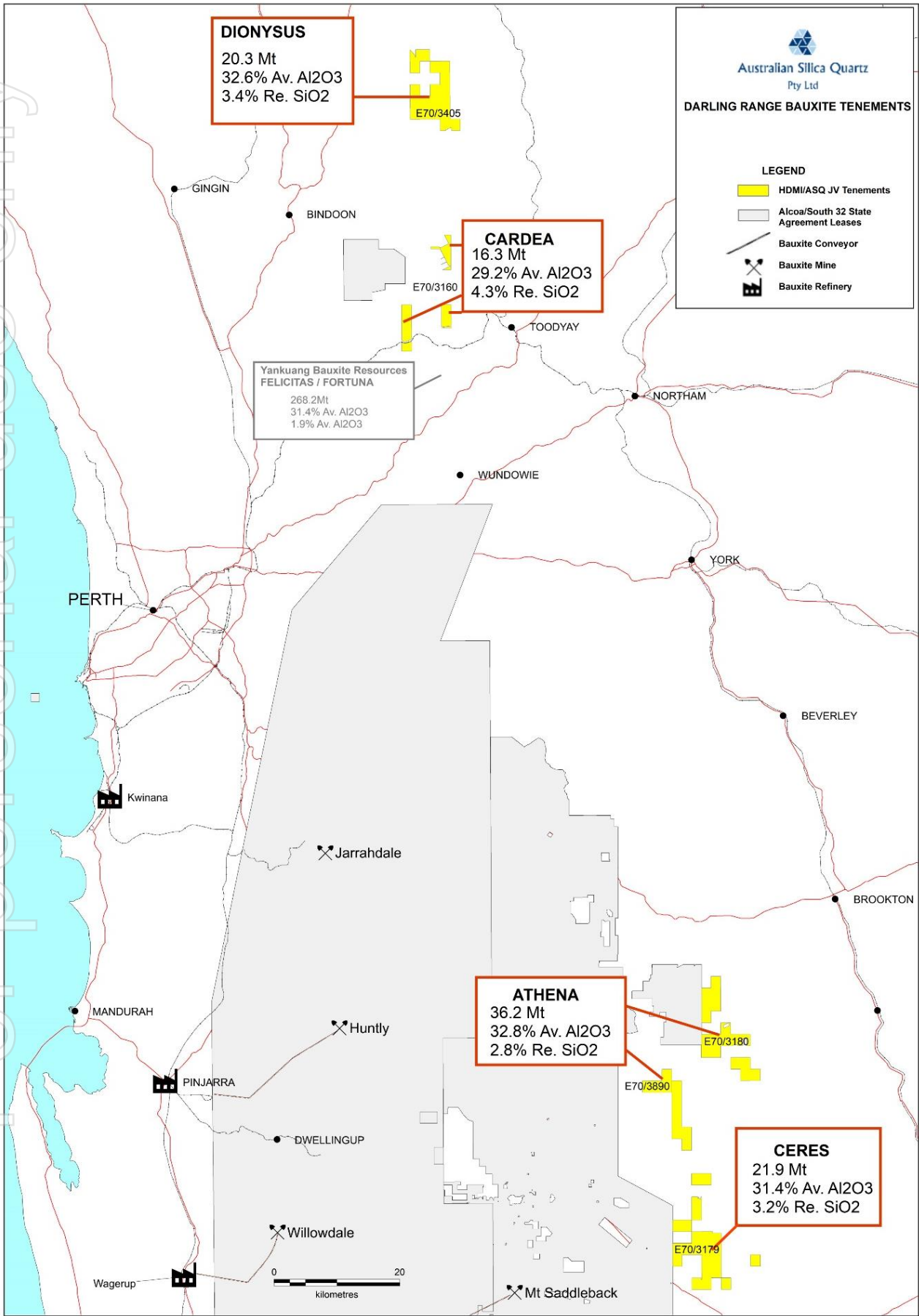


Figure 7 – ASQ/HD JV Mining Darling Range bauxite tenement holding and resource locations

Directors' Report cont.

CORPORATE

Australian Silica Quartz Group is in a strong financial position with significant cash reserves and no debt. At 31 December 2021, the Company held AU\$5.18 million in cash.

At 31 December 2021, the Company had 1,305 shareholders and 276,660,377 fully paid ordinary shares on issue with the top 20 shareholders holding 61% of the total issued capital.

The Company has 17,333,335 Performance Rights on issue at 31 December 2021, following shareholder approval in December 2020. During the half-year, 8,666,665 Performance Rights were converted into 8,666,665 new fully paid ordinary shares following the required hurdle being achieved. The remaining 2 tranches of Performance Rights will convert into 17,333,335 fully paid ordinary shares over the next two years if the performance hurdles are achieved.

The Board will continue to focus on its Silica and Bauxite Projects, the Julimar ASQ/Devex Joint Venture and seek to enhance the value of these and its South Stirling Ni/Cu Project through exploration and development activities. It will continue to manage the Company in the best manner in which to maximise returns to shareholders.

COVID-19 has not had a material impact on the operation or financials of the business during the half-year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 for the half-year ended 31 December 2021.

Signed in accordance with a resolution of the directors.



Robert Nash
Chairman

Perth, 10 March 2022

Competent Persons Statement

The information in this report that relates to the bauxite and silica sand resource base as a whole and the silica sand product specifications and testwork, was compiled by Nick Algie. Mr Algie is a qualified geologist and a full time employee of ASQ. He is a shareholder in ASQ and is entitled to participate in ASQ's employee performance plan, details of which are included in ASQ's 2021 Remuneration Report. Mr Algie is a member of the Australian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Algie has consented to the inclusion in this report of material in the form and context in which it appears.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIAN SILICA QUARTZ GROUP LTD**

As auditor for the review of Australian Silica Quartz Group Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



SUAN-LEE TAN
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 10th day of March 2022.

Moore Australia Audit (WA) – ABN 16 874 357 907.

An independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Profit or Loss and Other Comprehensive Income

Half-Year Ended 31 December 2021

	Notes	Consolidated Group	
		31 December 2021 \$	31 December 2020 \$
Continuing operations			
Recoupment of exploration costs	2	74,940	75,994
Other income	2	44,651	62,521
Interest income	2	10,169	12,640
Employee benefits expense		(95,171)	(90,820)
Exploration expenses as incurred	3	(367,821)	(335,583)
Administration expenses		(326,741)	(338,567)
Depreciation and amortisation expense		(1,745)	(2,649)
Share-based payments expense		(457,401)	(85,614)
Profit / (loss) before income tax		(1,119,119)	(702,078)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,119,119)	(702,078)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		(1,119,119)	(702,078)
Loss for the half-year is attributable to:			
Owners of Australian Silica Quartz Group Ltd		(1,119,119)	(702,078)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(0.42)	(0.30)
Diluted earnings per share (cents)		(0.42)	(0.30)

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

At 31 December 2021

	Notes	Consolidated Group	
		31 December 2021 \$	30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		5,181,868	5,836,378
Trade and other receivables		137,664	163,064
TOTAL CURRENT ASSETS		5,319,532	5,999,442
NON CURRENT ASSETS			
Other financial assets		204,000	200,000
Property, plant and equipment		2,274,743	2,276,488
TOTAL NON CURRENT ASSETS		2,478,743	2,476,488
TOTAL ASSETS		7,798,275	8,475,930
CURRENT LIABILITIES			
Trade and other payables		56,239	57,006
Provisions		43,628	51,307
TOTAL CURRENT LIABILITIES		99,867	108,313
TOTAL LIABILITIES		99,867	108,313
NET ASSETS		7,698,408	8,367,617
EQUITY			
Contributed equity	5	60,012,065	59,496,106
Reserves		1,538,833	1,604,882
Retained earnings / (accumulated losses)		(53,852,490)	(52,733,371)
TOTAL EQUITY		7,698,408	8,367,617

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

Half-Year Ended 31 December 2021

Consolidated Group	Notes	Issued Ordinary Capital	Option Reserve	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 1 July 2020		55,914,469	1,025,588	(51,542,455)	5,397,602
Loss for the period		-	-	(702,078)	(702,078)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(702,078)	(702,078)
Shares issued during the half-year		3,749,996	-	-	3,749,996
Share issue costs		(168,359)	-	-	(168,359)
Performance rights value for the period		-	85,614	-	85,614
Balance at 31 December 2020		59,496,106	1,111,202	(52,244,533)	8,362,775
Balance at 1 July 2021		59,496,106	1,604,882	(52,733,371)	8,367,617
Loss for the period		-	-	(1,119,119)	(1,119,119)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(1,119,119)	(1,119,119)
Performance Rights Vested		523,450	(523,450)	-	-
Share issue costs		(7,491)	-	-	(7,491)
Performance rights value for the period		-	457,401	-	457,401
Balance at 31 December 2021		60,012,065	1,538,833	(53,852,490)	7,698,408

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Cash Flow

Half-Year Ended 31 December 2021

	Notes	Consolidated Group	
		31 December 2021	31 December 2020
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		120,051	148,890
Payments to suppliers and employees		(436,709)	(445,194)
Payments for exploration expenditure		(336,571)	(413,925)
Interest received		10,210	16,205
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(643,019)	(694,024)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security deposit		(4,000)	-
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		(4,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		-	3,749,996
Capital raising costs		(7,491)	(168,359)
NET CASH INFLOW FROM FINANCING ACTIVITIES		(7,491)	3,581,637
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(654,510)	2,887,613
Cash and cash equivalents at the beginning of the half-year		5,836,378	3,275,700
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		5,181,868	6,163,313

The above statements should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Australian Silica Quartz Group Ltd and controlled entities ("Consolidated Group" or "Group"). The financial statements were authorised for issue by the directors of the Company.

Basis of preparation

This general purpose financial report has been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year. The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determine that their application to the Financial Statements is either not relevant or not material.

2. REVENUE

	Consolidated Group	
	31/12/2021 \$	31/12/2020 \$
Reimbursement of exploration costs	74,940	75,994
Other revenue	44,651	62,521
Interest	10,169	12,640
	129,760	151,155

3. PROFIT/(LOSS) FOR THE HALF-YEAR

Expenses

	Consolidated Group	
	31/12/2021 \$	31/12/2020 \$
Lease payments	16,410	16,545
Exploration expenditure	367,821	335,583

4. OPERATING SEGMENTS

The Consolidated Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Group operates in one operating segment and one geographical segment, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Group.

Notes to the Financial Statements cont.

5. CONTRIBUTED EQUITY

	Notes	31/12/2021		31/12/2020	
		Number of securities	\$	Number of securities	\$
(a) Share capital					
Ordinary shares fully paid	5b		60,012,065		59,496,106
Total contributed equity			<u>60,012,065</u>		<u>59,496,106</u>
(b) Movements in ordinary share capital					
Beginning of the half-year		267,993,712	59,496,106	214,422,336	55,914,469
Issued during the half-year:		8,666,665	523,450	53,571,376	3,749,996
Less: Transaction costs		-	(7,491)	-	(168,359)
End of the half-year		<u>276,660,377</u>	<u>60,012,065</u>	<u>267,993,712</u>	<u>59,496,106</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share Based Payments

During the financial period 8,666,665 Tranche 1 Performance Rights were vested after meeting the conditions detailed below and were issued on the 1 December 2021. As at the date of this report the following Performance Rights issued to Directors and Staff were on issue at 31 December 2021:

8,666,666 Tranche 2 Performance Rights
8,666,669 Tranche 3 Performance Rights

The Performance Rights shall vest as follows:

Tranche 1 Performance Rights: upon the Company's Shares reaching a 30 day VWAP which is greater than \$0.1515 per Share anytime during the period from 1 December 2020 to 30 November 2021; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 30 November 2021.

Tranche 2 Performance Rights: upon the Company's Shares reaching a 30 day VWAP which is greater than \$0.17675 per Share anytime during the period from 1 December 2021 to 30 November 2022; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 30 November 2022.

Tranche 3 Performance Rights: upon the Company's Shares reaching a 30 day VWAP which is greater than \$0.202 per Share anytime during the period from 1 December 2022 to 30 November 2023; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 30 November 2023.

Notes to the Financial Statements cont.

6. CONTINGENCIES

On 17 January 2019 the Company announced that it had executed a Term Sheet with Urban Resources for operating a direct shipping ore export venture. Included in the terms of this agreement is a contingent liability that the Company has to issue shares to Urban Resources if the following milestones are achieved.

- (a) commercially profitable shipments of 20,000 tonnes of silica sand from the Urban Resources Bullsbrook mine through the Fremantle Port to an overseas customer being completed. To receive a payment in shares in the Company equivalent to \$250,000 based on the 7 day VWAP on completion of the milestone; and
- (b) commercially profitable shipments of 20,000 tonnes of silica sand through the Albany Port to an overseas customer being completed. To receive a payment in shares in the Company equivalent to \$250,000 based on the 7 day VWAP on completion of the milestone.

7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the 31 December 2021 the following key events have occurred.

- On 1 February 2022 it was announced that a MOU terms sheet for export of up to 45,000 tonnes per month of Silica Sands was agreed with C&D Logistics Group Co., Ltd., a subsidiary of Xiamen C&D Inc., a Fortune Global 500 company listed in Shanghai.

There have been no other events that have arisen since 31 December 2021 which have significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

In the opinions of the directors' of Australian Silica Quartz Group Ltd (the "Company"):

1. the financial statements and notes as set on pages 11 to 17, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2021 and of their performance for the half-year ended on that date;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert Nash
Chairman

Perth, 10 March 2022

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN SILICA QUARTZ GROUP LTD****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Australian Silica Quartz Group Ltd (the company) and its controlled entities (the group or consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN SILICA QUARTZ GROUP LTD (CONTINUED)**

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- c) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and
- d) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



SUAN-LEE TAN
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 10th March 2022