



Australian Silica Quartz Group Ltd

(formerly Bauxite Resources Limited)

ABN 72 119 699 982

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019 and any public announcements made by Australian Silica Quartz Group Limited 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 Limited (formerly Bauxite Resources Limited) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

Zhaozhong Wang – Non Executive Director

REVIEW OF OPERATIONS

BUSINESS DIRECTION AND BOARD STRATEGY

During the half-year ending 31 December 2019 the Company's main focus has been on the export of Silica Sand from the ASQ/Urban Resources Pty Ltd operational partnership at mining lease M70/326 in Bullsbrook along with continued exploration of the Silica Sand projects at Albany, Esperance and Gingin, and Hard Rock Silica Quartz projects in the South West of WA and Far North Queensland along with the bauxite projects held within the HD Mining Joint Venture.

SILICA

Agreement with Urban Resources

A binding agreement was executed with Urban Resources Pty Ltd to jointly exploit Urban's Silica Sand deposit located in Bullsbrook, Western Australia, in the same location as the ASQ Gingin Silica Sand Project. The agreement is subject to a number of conditions including completion of legal due diligence. The Term Sheet 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.

Spiral and Up Current Classifier trials have been completed on washed sand from M70/326 with the purpose of confirming the likely specifications achieved by the plant upgrade proposed by the BRL/Urban partnership and to generate a bulk sample of processed sand for distribution to potential customers.

The Specification Sheets for ASQ-GWW1 and ASQ-GWSC1 have been upgraded following this recent testwork.

Table 1 - ASQ-GWW1 – Updated chemistry specification

Al	Ti	Fe	SiO ₂ + LOI (%)
112 ppm	343 ppm	138 (ppm)	99.9 %
0.0212 % (Al ₂ O ₃)	0.0572 % (TiO ₂)	0.0197 % Fe ₂ O ₃	99.9 %

Table 2 - ASQ-GWSC1 – Updated chemistry specification

Al	Al ₂ O ₃	Ti	TiO ₂	Fe	Fe ₂ O ₃	LOI ₁₀₀₀ ^o c	SiO ₂ + LOI
98 ppm	0.0186 %	166 ppm	0.0277 %	60 ppm	0.009 %	0.08 %	99.94 %

Directors' Report cont.

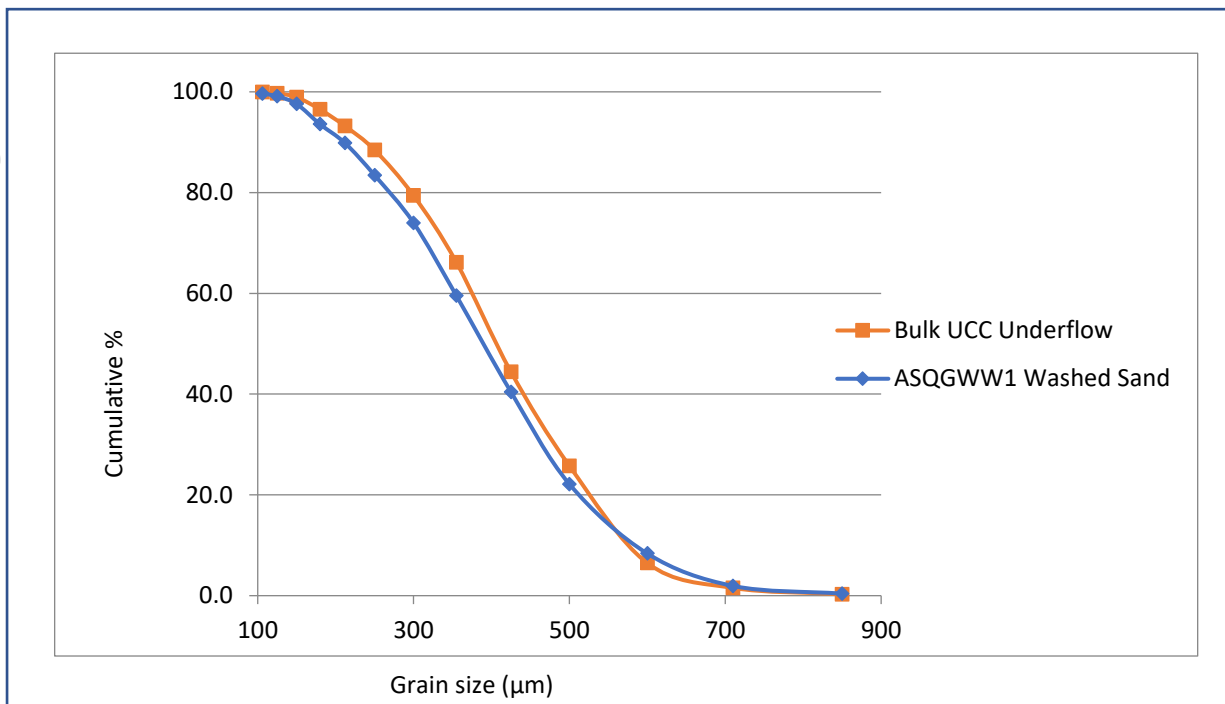


Figure 1 – ASQ-GWW1 vs ASQ-GWSC1 – Particle Size Distributions

Through the company's marketing activities ASQ has received over fifty enquiries relating to the company's silica sand and projects to date. Updated product specification sheets have been distributed to potential customers where applicable and silica sand samples have been couriered to potential domestic and international customers. In excess of 25 groups are currently actively liaising with BRL on the silica products available now and those products BRL expects to have available in the future

Ongoing negotiations are continuing with a view to securing offtake for the company's washed sand product or pre-sales of the company's processed high grade silica sand product.

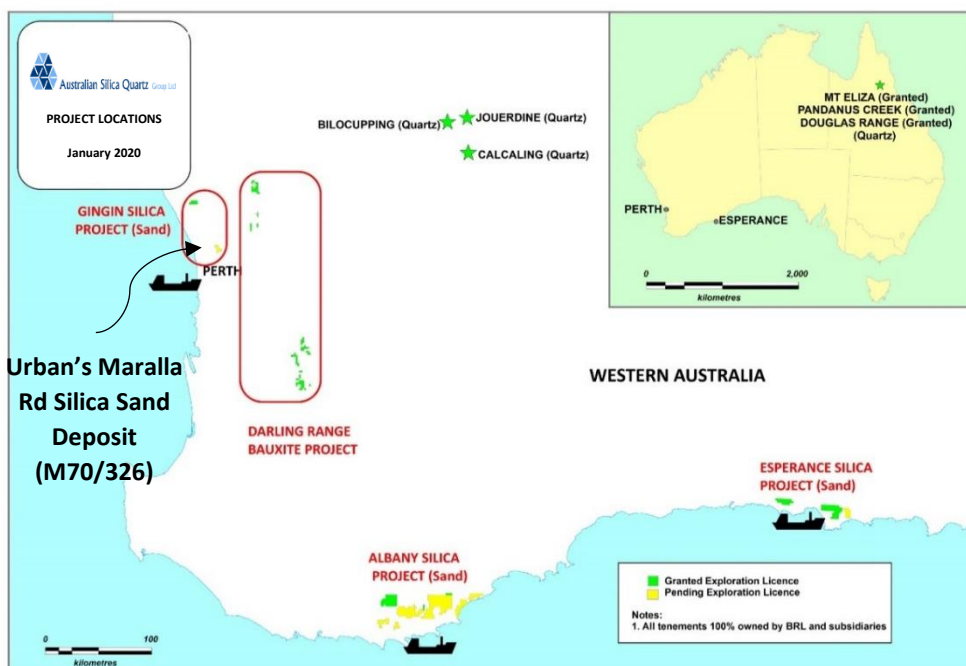


Figure 2 – ASQ Silica & Bauxite Project Locations

Directors' Report cont.

SILICA SAND EXPLORATION PROJECTS – GINGIN, ALBANY AND ESPERANCE

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

Desktop and roadside assessment of the several silica sand projects is well advanced along with investigations into logistics and market considerations. Areas of interest have been identified and establishing land access is in progress in preparation for preliminary drill testing during 2020.

HARDROCK SILICA QUARTZ PROJECTS – WESTERN AUSTRALIA AND QUEENSLAND

The company has three granted and one application exploration licences 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 fieldwork planned for 2020.

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 material.

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 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
- 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).

Directors' Report cont.

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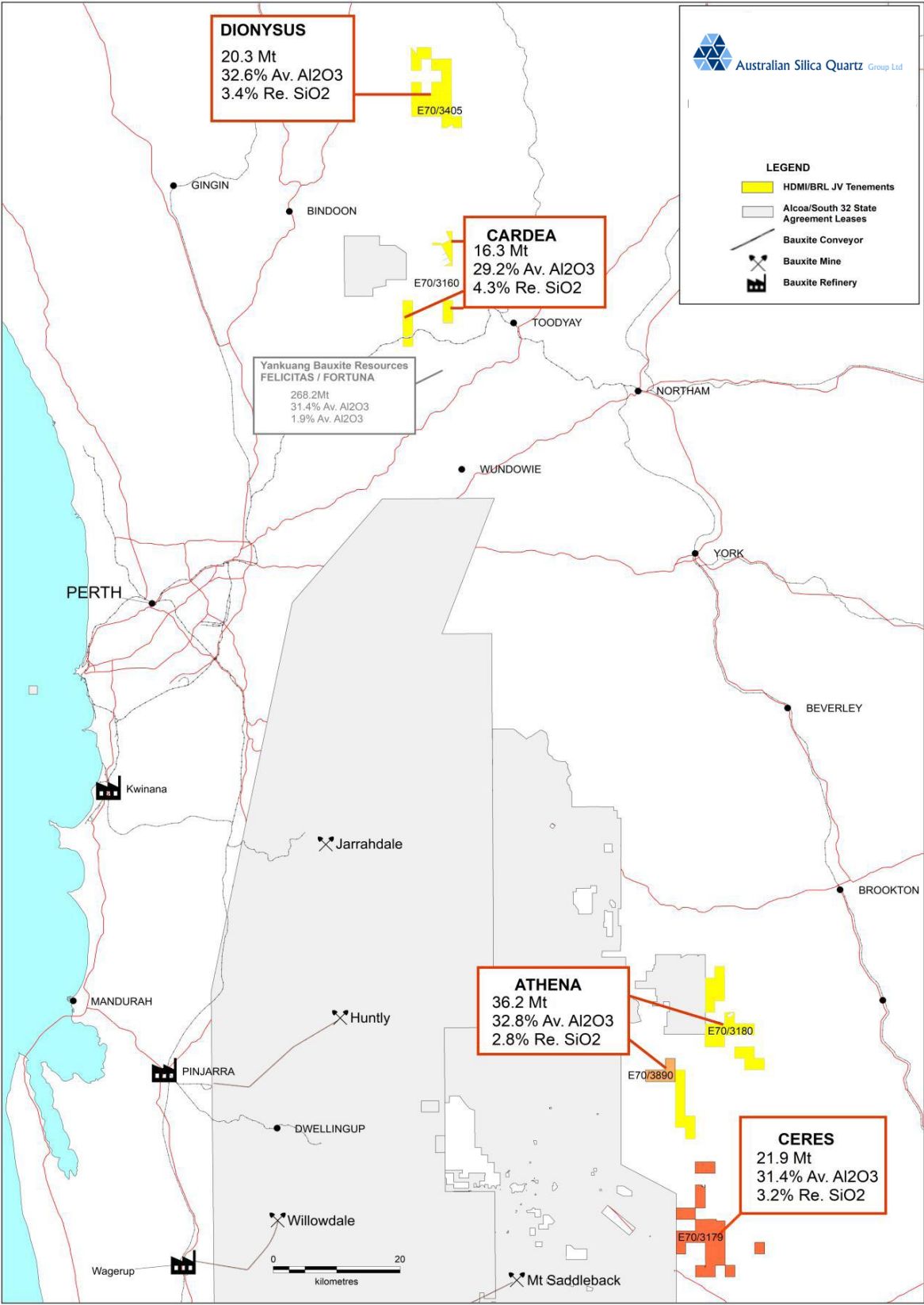


Figure 3 – BRL/HD JV Mining Darling Range bauxite tenement holding and resource locations

Directors' Report cont.

CORPORATE

At the 2019 Annual General Meeting, shareholders approved the Change of the Company name to Australian Silica Quartz Group Limited (ASX Code: ASQ) from Bauxite Resources Limited to better reflect the activities of the Company. This change took effect from 15 November 2019.

The Group is in a strong financial position with significant cash reserves and no debt. As at 31 December 2019, the Company held \$3.48 million in cash and retains two farming properties in Bindoon, Western Australia with carrying values of \$1.9m.

As at 31 December 2019 the Company had 967 shareholders and 214,422,336 fully paid ordinary shares on issue with the top 40 shareholders holding 81.9% of the total issued capital. During the half-year 5,500,002 Performance Rights expired after failing to achieve the Performance Hurdle. There remains 5,500,003 Performance Rights on issue subject to a Performance Hurdle by 10 November 2020, which if achieved will convert into 9,935,490 fully paid ordinary shares.

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

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 6 for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the directors.



Robert Nash

Chairman

Perth, 12 March 2020

Competent Persons Statement

The information in this report that relates to the HD Mining Joint Venture (HDJV) 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 Australian Silica Quartz Group Limited (ASQ). He is a shareholder in BRL and is entitled to participate in ASQ's employee performance plan, details of which are included in ASQ's 2019 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

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AUDITOR'S INDEPENDENCE DECLARATION UNDER

S307C OF THE CORPORATIONS ACT 2001

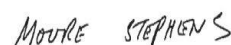
TO THE DIRECTORS OF AUSTRALIAN SILICA QUARTZ GROUP LIMITED

As auditor for the review of Australian Silica Quartz Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.



SL Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth on this 12th day of March 2020

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Statement of Profit or Loss and Other Comprehensive Income

Half-Year Ended 31 December 2019

	Notes	Consolidated Group	
		31 December 2019 \$	31 December 2018 \$
Continuing operations			
Recoupment of exploration costs	2	69,901	79,921
Other income	2	63,628	51,477
Interest income	2	34,033	61,859
Employee benefits expense		(98,100)	(139,205)
Exploration expenses as incurred	3	(312,791)	(200,226)
Administration expenses		(323,348)	(390,654)
Depreciation and amortisation expense		(5,473)	(2,985)
Share-based payments expense		(34,344)	(109,816)
Profit / (loss) before income tax		(606,494)	(649,629)
Income tax expense		-	-
Loss after income tax expense for the half-year		(606,494)	(649,629)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		(606,494)	(649,629)
Loss for the half-year is attributable to:			
Owners of Australian Silica Quartz Group Limited		(606,494)	(649,629)
		(606,494)	(649,629)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(0.28)	(0.30)
Diluted earnings per share (cents)		(0.28)	(0.30)

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

Statement of Financial Position

At 31 December 2019

	Notes	Consolidated Group	
		31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		3,480,640	4,116,996
Trade and other receivables		128,727	89,781
TOTAL CURRENT ASSETS		3,609,367	4,206,777
NON CURRENT ASSETS			
Other financial assets		200,000	200,000
Property, plant and equipment		1,922,552	1,926,591
TOTAL NON CURRENT ASSETS		2,122,552	2,126,591
TOTAL ASSETS		5,731,919	6,333,368
CURRENT LIABILITIES			
Trade and other payables		67,119	94,472
Provisions		34,492	36,438
TOTAL CURRENT LIABILITIES		101,611	130,910
TOTAL LIABILITIES		101,611	130,910
NET ASSETS		5,630,308	6,202,458
EQUITY			
Contributed equity	5	55,914,469	55,914,469
Reserves		1,024,136	989,792
Retained earnings / (accumulated losses)		(51,308,297)	(50,701,803)
TOTAL EQUITY		5,630,308	6,202,458

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 2019

Consolidated Group	Notes	Issued Ordinary Capital	Option Reserve	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 1 July 2018		55,914,469	653,044	(49,399,861)	7,167,652
Loss for the period		-	-	(649,629)	(649,629)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(649,629)	(649,629)
Performance rights value for the period		-	109,816	-	109,816
Balance at 31 December 2018		55,914,469	762,860	(50,049,490)	6,627,839
Balance at 1 July 2019		55,914,469	989,792	(50,701,803)	6,202,458
Loss for the period		-	-	(606,494)	(606,494)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(606,494)	(606,494)
Performance rights value for the period		-	34,344	-	34,344
Balance at 31 December 2019		55,914,469	1,024,136	(51,308,297)	5,630,308

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

Statement of Cash Flow

Half-Year Ended 31 December 2019

	Notes	Consolidated Group	
		31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		109,655	215,040
Payments to suppliers and employees		(476,513)	(489,197)
Payments for exploration expenditure		(306,553)	(211,000)
Interest received		38,489	68,981
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(634,922)	(416,176)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,434)	(5,487)
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		(1,434)	(5,487)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(636,356)	(421,663)
Cash and cash equivalents at the beginning of the half-year		4,116,996	4,929,206
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		3,480,640	4,507,543

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 Limited (formerly Bauxite Resources Limited) 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 2019, 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.

New and amended accounting standards adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policy as a result of adopting the following standard:

- AASB 16: Leases

The adoption of this amended standard has had no significant impact on the Group’s financial statements.

2. REVENUE

	Consolidated Group	
	31/12/2019	31/12/2018
	\$	\$
Reimbursement of exploration costs	69,901	79,921
Other revenue	63,628	51,477
Interest	34,033	61,859
	167,562	193,257

Notes to the Financial Statements cont.

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

Expenses

	Consolidated Group	
	31/12/2019	31/12/2018
	\$	\$
Lease payments	25,308	25,746
Exploration expenditure	312,791	200,226

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.

5. CONTRIBUTED EQUITY

	Notes	31/12/2019		31/12/2018	
		Number of securities	\$	Number of securities	\$
(a) Share capital					
Ordinary shares fully paid	5b		55,914,469		55,914,469
Total contributed equity			55,914,469		55,914,469
(b) Movements in ordinary share capital					
Beginning of the half-year		214,422,336	55,914,469	214,422,336	55,914,469
Issued during the half-year:		-	-	-	-
Less: Transaction costs		-	-	-	-
End of the half-year		214,422,336	55,914,469	214,422,336	55,914,469

(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.

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.

- 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
- 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.

Notes to the Financial Statements cont.

7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events that have arisen since 31 December 2019 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.

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Directors' Declaration

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

1. the financial statements and notes as set on pages 7 to 13, 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 2019 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, 12 March 2020

Independent Audit Report

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN SILICA QUARTZ GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Australian Silica Quartz Group Limited (the company) and its controlled entities (the group or consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019 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*.

Directors' Responsibility 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2019 and 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*.

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Independent Audit Report cont.

MOORE STEPHENS

Auditor's Responsibility (Continued)

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

MOORE STEPHENS

MOORE STEPHENS
Chartered Accountants

SL TAN

SL TAN
Partner

Dated this 12th March 2020 in Perth, Western Australia

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