



**Australian Silica Quartz Group Ltd**  
ABN 72 119 699 982

## **Notice of Annual General Meeting**

**The Annual General Meeting of the Company will be held at the offices of the Company, Suite 10, 295 Rokeby Road, Subiaco, Western Australia on Monday 30 November 2020 at 10.30am (WST).**

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

**Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by telephone on (08) 9200 8200.**

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

**Australian Silica Quartz Group Ltd  
ACN 119 699 982 (Company)**

## **Notice of Annual General Meeting**

Notice is hereby given that the annual general meeting of Shareholders of Australian Silica Quartz Group Ltd (**Company**) will be held at Suite 10, 295 Rokeby Road, Subiaco, Western Australia on Monday, 30 November 2020 at 10.30am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Saturday 28 November 2020 at 10.30am (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

### **Agenda**

#### **1 Annual Report**

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

#### **2 Resolutions**

##### **Resolution 1 – Remuneration Report**

To consider and, if thought fit, to pass with or without amendment, as a **non-binding** ordinary resolution the following:

*'That the Remuneration Report be adopted by Shareholders.'*

##### **Resolution 2 – Re-election of Director – Robert Nash**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*'That in accordance with clause 14.2 of the Constitution and for all other purposes, Robert Nash retires and, being eligible, is re-elected as a Director.'*

##### **Resolution 3 – Election of Director – Pengfei Zhao**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*'That in accordance with clause 14.4 of the Constitution, Listing Rule 14.4 and for all other purposes, Pengfei Zhao retires and, being eligible, is elected as a Director.'*

## **Resolution 4 – Approval of Employee Securities Incentive Plan**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*'That pursuant to and in accordance with exception 13(b) of Listing Rule 7.2 and for all other purposes, Shareholders approve the establishment of the employee incentive scheme known as the "Australian Silica Quartz Group Ltd Employee Securities Incentive Plan" and the issue of Securities under that plan, on the terms and conditions in the Explanatory Memorandum.'*

## **Resolution 5 – Approval of potential termination benefits under the Plan**

To consider and, if thought fit, to pass without or without amendment, as an ordinary resolution the following:

*"That conditional on Resolution 4 being approved, for a period commencing from the date this Resolution is passed and ending upon the expiry of all Securities issued or to be issued under the Australian Silica Quartz Group Ltd Employee Securities Incentive Plan, approval be given for all purposes including Part 2D.2 of the Corporations Act for the giving of benefits to any current or future person holding a managerial or executive office of the Company or a related body corporate in connection with that person ceasing to hold such office, on the terms and conditions in the Explanatory Memorandum."*

## **Resolution 6 - Approval to issue Performance Rights to Directors**

To consider and, if thought fit, to pass with or without amendment, each as a **separate** ordinary resolution the following:

*'That subject to Resolution 4 being passed and pursuant to and in accordance Listing Rule 10.14, section 195(4) and section 208 of the Corporations Act and for all other purposes, Shareholders approve the issue of Performance Rights to Directors (or their respective nominees) under the Plan as follows:*

- (a) *up to 3,000,000 Performance Rights to Robert Nash;*
- (b) *up to 8,000,000 Performance Rights to Luke Atkins;*
- (c) *up to 3,000,000 Performance Rights to Neil Lithgow; and*
- (d) *up to 3,000,000 Performance Rights to Pengfei Zhao,*

*on the terms and conditions in the Explanatory Memorandum.'*

## **Resolution 7 – Ratification of prior issue of Placement Shares**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*'That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 32,142,857 Shares at \$0.07 per Share on the terms and conditions in the Explanatory Memorandum.'*

## Resolution 8 – Renew Proportional Takeover Bid Approval Provisions

To consider and, if thought fit, to pass with or without amendment, as a **special** resolution the following:

*'That, pursuant to and in accordance with sections 648G(4) and 136(2) of the Corporations Act and for all other purposes, Shareholders approve the Company modifying its Constitution by renewing the proportional takeover bid approval provisions contained in clause 36 of the Constitution for a period of three years from the date of approval of this Resolution.'*

### Voting exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

- (a) Resolution 4 by or on behalf of a person who is eligible to participate in the employee incentive scheme, or any of their respective associates;
- (b) Resolution 6 by or on behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question, or any of their respective associates; and
- (c) Resolution 7 by or on behalf of any person who participated in the issue of the Shares, or any of their respective associates.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Shares held by or for an employee incentive scheme must only be voted on a Resolution under the Listing Rules if and to the extent that they are held for the benefit of a nominated participant in the scheme; the nominated participant is not excluded from voting on the Resolution under the Listing Rules; and the nominated participant has directed how the Shares are to be voted.

### Voting prohibitions

Resolution 1: In accordance with sections 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chair to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

Resolution 4, Resolution 5 and Resolution 6: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Further, in accordance with section 200E(2A) of the Corporations Act, a vote on Resolution 5 must not be cast by any participants or potential participants in the Australian Silica Quartz Group Ltd Employee Securities Incentive Plan and their associates, otherwise the benefit of this Resolution will be lost by such a person in relation to that person's future retirement.

However, a vote may be cast by such a person if:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of the person or an associate of the person.

Further, in accordance with section 224 of the Corporations Act, a vote on Resolution 6 must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

However, the above prohibition does not apply if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party.

Please note: If the Chair is a person referred to in the section 224 Corporations Act voting prohibition statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on the relevant Resolution.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

**BY ORDER OF THE BOARD**



Robert Nash  
Chairman  
14 October 2020

**Australian Silica Quartz Group Ltd**  
**ACN 093 396 859**  
**(Company)**

**Explanatory Memorandum**

**1. Introduction**

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 10, 295 Rokeby Road, Subiaco, Western Australia on Monday, 30 November 2020 at 10.30am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Annual Report
Section 4	Resolution 1 – Remuneration Report
Section 5	Resolution 2 – Re-election of Director – Robert Nash
Section 6	Resolution 3 – Election of Director – Pengfei Zhao
Section 7	Resolution 4 – Approval of Employee Securities Incentive Plan
Section 8	Resolution 5 – Approval of potential termination benefits under the Plan
Section 9	Resolution 6 - Approval to issue Performance Rights to Directors
Section 10	Resolution 7- Ratification of prior issue of Placement Shares
Section 11	Resolution 8 – Renew Proportional Takeover Bid Approval Provisions
Schedule 1	Definitions
Schedule 2	Summary of Australian Silica Quartz Group Employee Securities Incentive Plan
Schedule 3	Terms and Conditions of Performance Rights
Schedule 4	Valuation of Performance Rights
Schedule 5	Clause 36 of the Constitution

A Proxy Form is located at the end of the Explanatory Memorandum.

## 2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### 2.1 Impact of COVID-19 on the Meeting

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19.

Based on the best information available to the Board at the time of the Notice, the Board considers it will be in a position to hold an 'in-person' meeting to provide Shareholders with a reasonable opportunity to participate in and vote at the Meeting, while complying with the COVID-19 restrictions regarding gatherings. The Company, however, strongly encourages Shareholders to submit proxies prior to the Meeting.

If the situation in relation to COVID-19 were to change in a way that affected the position above, the Company will provide a further update ahead of the Meeting by releasing an ASX announcement.

### 2.2 Voting in person

Given the current COVID-19 circumstances and in the interests of public health and safety of our Shareholders, the Company will implement arrangements to allow Shareholders to physically attend the Meeting in accordance with COVID-19 protocols and government advice.

The Company will strictly comply with applicable limitations on indoor gatherings in force at the time of the Meeting. If you attend the Meeting in person, you will be required to adhere to COVID-19 protocols in place at the time of the Meeting.

### 2.3 Proxies

Shareholders are encouraged to vote by voting online or by completing a Proxy Form.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form to the Notice of Meeting.

Proxy Forms can be lodged:

Online:	<b>meetings@automicgroup.com.au</b>
By mail:	Share Registry – Automic Group Pty Ltd, GPO Box 5193, Sydney NSW 2001
By fax:	+61 2 8583 3040
By phone:	1 300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

## 2.4 Chair's voting intentions

If the Chair is your proxy, either by appointment or by default, and you have not indicated your voting intention, you expressly authorise the Chair to exercise the proxy in respect of Resolution 1, Resolution 4, Resolution 5, and Resolution 6(a) to (d) (inclusive) even though these Resolutions are connected directly or indirectly with the remuneration of the Company's Key Management Personnel.

Subject to the following paragraph, the Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

If the Chair is a person referred to in the section 214 Corporations Act voting prohibition statement applicable to Resolution 6(a) to (d) (inclusive), the Chair will only be able to cast a vote as proxy for you on the relevant Resolution if you are entitled to vote and have specified your voting intention in the Proxy Form.

## 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2020.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.asgg.com.au](http://www.asgg.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five business days before the Meeting to the Company Secretary at the Company's registered office.

## 4. Resolution 1 – Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the



remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

If the Company's Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board, except the managing director (if any).

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director, if any) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2019 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2021 annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

Given the personal interests of all Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

## 5. **Resolution 2 – Re-election of Director – Robert Nash**

### 5.1 **General**

Clause 14.2 of the Constitution provides that one-third of the Directors must retire from office at each annual general meeting. In determining the number of Directors to retire, no account is to be taken of a Director who has been appointed as an addition to the Board throughout the year and who is facing election at the annual general meeting, or the Managing Director.

The Company currently has four Directors, one of whom (Pengfei Zhao) is seeking election pursuant to Resolution 3.

Accordingly, one Director is required to retire at the Meeting. Pursuant to clause 14.2 of the Constitution, the Director who has been longest in office since their last election must retire. Amongst Directors who were last elected on the same date, the Director to retire may be agreed between them, or otherwise drawn by lots.

Non-Executive Chairman Robert Nash was last elected as a Director at the annual general meeting held on 23 November 2018. Non-Executive Director Luke Atkins was last elected at the same annual general meeting. It has been agreed that Mr Nash will retire at this Meeting and, being eligible, seek re-election pursuant to Resolution 2.

## 5.2 **Robert Nash**

*B Juris LLB, Public Notary*

Mr Nash is a barrister at Francis Burt Chambers. Until his retirement in 2018, he was the Head of WA Navy Legal Panel. He has served as a council member of the Law Society of Western Australia for 10 years, a Convenor of the Law Society Education Committee and as a member of the Ethics and Professional Conduct Committees.

Mr Nash joined the Board before the Company listed in 2008. He was appointed Chairman in August 2013.

Mr Nash has not held any other listed company directorships in the last 3 years.

Mr Nash has acknowledged to the Company that he will have sufficient time to fulfil his responsibilities as a Director.

The Board considers that Mr Nash is an independent director. The Board has considered Mr Nash's length of service as a Director, and is of the view that it does not compromise Mr Nash's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. On this basis, the Board has classified Mr Nash as an independent director.

## 5.3 **Additional information**

Resolution 2 is an ordinary resolution.

The Board considers that Mr Nash's legal and corporate experience and experience within the Company itself is integral to the Company and that Mr Nash will continue to be instrumental in the growth of the Company at an important stage of development. Accordingly, the Board (with Mr Nash abstaining) recommends that Shareholders vote in favour of Resolution 2.

## 6. **Resolution 3 – Election of Director – Pengfei Zhao**

### 6.1 **General**

Clause 14.4 of the Company's Constitution provides that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election. ASX Listing Rule 14.4 also requires that a Director appointed to fill a casual vacancy or as an addition to the existing Directors must retire at the next annual general meeting, if they have not previously been elected by shareholders.

Mr Pengfei Zhao was appointed as an alternate director to Mr Zhaozhong Wang on 1 April 2019, and was appointed as a Director upon Mr Wang's retirement on 9 October 2020. Accordingly, Mr Zhao retires at this Meeting and, being eligible, seeks election pursuant to Resolution 3.

## 6.2 Pengfei Zhao

### *B.SC. Grad Cert Mineral Economics*

Mr Zhao has been the director of HD Mining & Investments Pty Ltd (HD Mining) in charge of financial planning and control, mineral titles and project evaluation for the last 10 years. HD Mining is a substantial shareholder and joint venture partner of the Company.

Mr Zhao is also a manager and director of several proprietary companies with involvement in the areas of mineral exploration, agriculture, entertainment, international trading and investment.

Mr Zhao has not held any other listed company directorships in the last 3 years.

Mr Zhao has acknowledged to the Company that he will have sufficient time to fulfil his responsibilities as a Director.

The Company confirms that it has conducted appropriate checks into Mr Zhao's background and experience and that these checks did not reveal any information of concern.

The Board considers that Mr Zhao is not an independent director, due to his relationship with the Company's substantial shareholder, HD Mining and Investments Pty Ltd.

## 6.3 Additional information

Resolution 3 is an ordinary resolution.

The Board considers that Mr Zhao's financial and mining experience, his deep knowledge of the Company's business, and his relationship with HD Mining is integral to the Company and that Mr Zhao will be instrumental in the growth of the Company at an important stage of development. Accordingly, the Board (with Mr Zhao abstaining) recommends that Shareholders vote in favour of Resolution 3.

## 7. Resolution 4 – Approval of Employee Securities Incentive Plan

### 7.1 General

The Company considers that it is desirable to adopt an employee incentive scheme pursuant to which the Company can issue Equity Securities to attract, motivate and retain key Directors, employees and consultants and provide them with the opportunity to participate in the future growth of the Company.

Resolution 4 seeks Shareholders' approval for the adoption of the employee incentive scheme titled 'Australian Silica Quartz Group Ltd Employee Securities Incentive Plan' (**Plan**) in accordance with Listing Rule 7.2 exception 13(b).

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of Equity Securities in the Company as the Board may decide and on the terms set out in the rules of the Plan, a summary of the key terms and conditions of which is in Schedule 2. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

## 7.2 Listing Rules 7.1 and 7.2, exception 13(b)

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.2, exception 13(b) provides an exception to Listing Rule 7.1 such that issues of Equity Securities under an employee incentive scheme are exempt for a period of three years from the date on which shareholders approve the issue of Equity Securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Equity Securities under the Plan to eligible participants over a period of three years up to a nominated maximum amount without using the Company's 15% annual placement capacity under Listing Rule 7.1.

However, any future issues of Equity Securities under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolution/s Resolution 6 for the issue of Performance Rights to certain Directors pursuant to the Plan.

If Resolution 4 is not passed, the Company will still be able to proceed with the issue of Equity Securities under the Plan to eligible participants, but it will reduce, to that extent, the Company's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the Equity Securities.

## 7.3 Specific information required by Listing Rule 7.2, exception 13(b)

Pursuant to and in accordance with Listing Rule 7.2, exception 13(b), the following information is provided in relation to the Plan:

- (a) The material terms of the Plan are summarised in Schedule 2.
- (b) The Plan is a new employee incentive scheme and has not previously been approved by Shareholders. No Equity Securities have previously been issued under the Plan.
- (c) The maximum number of Equity Securities proposed to be issued under the Plan for the purposes of Listing Rule 7.2, exception 13(b) is 24,656,193 (subject to adjustment in the event of a reorganisation of capital and subject to applicable laws and the Listing Rules, and excluding any issues approved by Shareholders under Listing Rule 7.1 or 10.14), representing 10% of the Equity Securities currently on issue.
- (d) A voting exclusion statement is included in the Notice.

## 7.4 Additional information

Resolution 4 is an ordinary resolution.

The Board declines to make a recommendation in relation to this Resolution as each Director has a personal interest.

## 8. **Resolution 5 – Approval of potential termination benefits under the Plan**

The Corporations Act contains certain limitations concerning the payment of 'termination benefits' to persons who hold a 'managerial or executive office'. The Listing Rules also provides certain limitations on the payment of "termination benefits" to officers of listed entities.

As is common with employee incentive schemes, the Plan provides the Board with the discretion to, amongst other things, determine that some or all of the Equity Securities granted to a participant under the Plan (**Plan Securities**) will not lapse in the event of that participant ceasing their engagement with the Company before such Plan Securities have vested. This 'accelerated vesting' of Plan Securities may constitute a 'termination benefit' prohibited under the Corporations Act, regardless of the value of such benefit, unless Shareholder approval is obtained. Accordingly, the Board has resolved to seek Shareholder approval for the granting of such termination benefits in accordance with Resolution 5.

### 8.1 **Part 2D.2 of the Corporations Act**

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a 'managerial or executive office' (as defined in the Corporations Act) if an exemption applies or if the benefit is approved by shareholders in accordance with section 200E of the Corporations Act.

Subject to Shareholder approval of Resolution 5, Shareholder approval is sought for the purposes of Part 2D.2 of the Corporations Act to approve the giving of benefits under the Plan to a person by the Company in connection with that person ceasing to be an officer of, or ceasing to hold a managerial or executive office in, the Company (or subsidiary of the Company) on the terms and conditions in this Explanatory Memorandum.

As noted above, under the terms of the Plan and subject to the Listing Rules, the Board possesses the discretion to vary the terms or conditions of the Plan Securities. Notwithstanding the foregoing, without the consent of the participant in the Plan, no amendment may be made to the terms of any granted Plan Security which reduces the rights of the participant in respect of that Plan Security, other than an amendment introduced primarily to comply with legislation, to correct any manifest error or mistake or to take into consideration possible adverse tax implications.

As a result of the above discretion, the Board has the power to determine that some or all of a participant's Plan Securities will not lapse in the event of the participant ceasing employment or office before the vesting of their Plan Securities. The Board's current intention is to only exercise this discretion where the person leaves employment or office without fault on their part and the Board considers the circumstances are such that it would be unfair not to exercise its discretion in favour of that person.

The exercise of this discretion by the Board may constitute a 'benefit' for the purposes of section 200B of the Corporations Act. The Company is therefore seeking Shareholder approval for the exercise of the Board's discretion in respect of any current or future participant in the Plan who holds:

- (a) a managerial or executive office in, or is an officer of, the Company (or subsidiary of the Company) at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Plan Securities at the time of their leaving.

## 8.2 Value of the termination benefits

Provided Shareholder approval is given, the value of the termination benefits may be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act (ie the approved benefit will not count towards the statutory cap under the legislation).

The value of the termination benefits that the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company's Share price at the time of vesting and the number of Plan Securities that will vest or otherwise be affected. The following additional factors may also affect the benefit's value:

- (a) the participant's length of service and the status of the vesting conditions attaching to the relevant Plan Securities at the time the participant's employment or office ceases; and
- (b) the number of unvested Plan Securities that the participant holds at the time they cease employment or office.

In accordance with Listing Rule 10.19, the Company will ensure that no officer of the Company or any of its child entities will, or may be, entitled to termination benefits if the value of those benefits and the terminations benefits that are or may be payable to all officers together exceed 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the Listing Rules.

## 8.3 Additional information

Resolution 5 is an ordinary resolution.

Resolution 5 is conditional on the passing of Resolution 4. If Resolution 4 is not approved at the Meeting, Resolution 5 will not be put to the Meeting.

The Board declines to make a recommendation in relation to this Resolution as each Director has a personal interest.

## 9. Resolution 6 - Approval to issue Performance Rights to Directors

### 9.1 General

The Company is proposing, subject to obtaining Shareholder approval and the adoption of the Plan (refer to Resolution 4), to issue up to a total of 17,000,000 Performance Rights to the Directors or their respective nominees, as follows:

Director	Performance Rights Tranche 1	Performance Rights Tranche 2	Performance Rights Tranche 3
Robert Nash	1,000,000	1,000,000	1,000,000
Luke Atkins	2,666,666	2,666,667	2,666,667
Neil Lithgow	1,000,000	1,000,000	1,000,000

<b>Director</b>	<b>Performance Rights Tranche 1</b>	<b>Performance Rights Tranche 2</b>	<b>Performance Rights Tranche 3</b>
Pengfei Zhao	1,000,000	1,000,000	1,000,000
<b>TOTAL</b>	<b>5,666,666</b>	<b>5,666,667</b>	<b>5,666,667</b>

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of the Directors in seeking to achieve advancement of the Company's objectives and growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Performance Rights is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Performance Rights to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

The Performance Rights are to be issued under the Company's Plan, the terms of which are summarised in Schedule 2. The Performance Rights will vest upon satisfaction of the milestones described in Schedule 3.

Subject to adoption of the Plan (refer to Resolution 4), Resolution 6(a) to (d) (inclusive) seek Shareholder approval pursuant to Listing Rule 10.14, and sections 195(4) and 208 of the Corporations Act for the issue of up to a total of 17,000,000 Performance Rights under the Plan to the Directors, or their respective nominees.

## 9.2 **Listing Rule 10.14**

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire Equity Securities under an employee incentive scheme, unless Shareholder approval is provided:

- (a) a director of the company (Listing Rule 10.14.1);
- (b) an associate of a director the company (Listing Rule 10.14.2); or
- (c) a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders (Listing Rule 10.14.3).

The proposed issue of the Performance Rights falls within Listing Rule 10.14.1 (or Listing Rule 10.14.2 if a Director elects for the Performance Rights to be issued to his nominee) and therefore requires the approval of Shareholders under Listing Rule 10.14.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 or 10.11 is not required.

If Resolutions Resolution 6 (a) to (d) (inclusive) are passed, the Company will be able to proceed with the issue of the Performance Rights to the Directors.

If Resolution 6(a) to (d) (inclusive) are not passed, the Company will not be able to proceed with the issue of the Performance Rights to the Directors and the Company will proceed with

other forms of performance-based remuneration, which may include incentives in the form of cash bonuses.

### 9.3 Specific information required by Listing Rule 10.15

Pursuant to and in accordance with Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Performance Rights:

- (a) The Performance Rights will be issued to Messrs Nash, Atkins, Lithgow and Zhao (or their respective nominees).
- (b) Each of the Directors is a related party of the Company by virtue of being a Director and falls into the category stipulated by Listing Rule 10.14.1. In the event the Performance Rights are issued to a nominee of a Director, that person will fall into the category stipulated by Listing Rule 10.14.2.
- (c) The maximum number of Performance Rights to be issued to the Directors (or their respective nominees) is 17,000,000 in the proportions set out in Section 9.1 above.
- (d) The current total remuneration package for each of the Directors at the date of this Notice is set out below:

Director	Salary and fees (including superannuation)
Robert Nash	\$76,650
Luke Atkins	\$343,800
Neil Lithgow	\$43,800
Pengfei Zhao	\$20,950

- (e) No Securities have previously been issued under the Plan.
- (f) The Performance Rights are not fully paid ordinary securities. The Performance Rights will be issued on the terms and conditions in Schedule 3.
- (g) The Board considers that Performance Rights, rather than Shares, are an appropriate form of incentive because the Performance Rights granted will generally only be of benefit if the Directors perform to the level whereby the milestones to the Performance Rights are satisfied. The issue of the Performance Rights will therefore further align the interests of the Directors with Shareholders.
- (h) A valuation of the Performance Rights is in Schedule 4, with a summary for each of the Directors below:

Director	Value of Performance Rights			
	Tranche 1	Tranche 2	Tranche 3	TOTAL
Robert Nash	\$45,441	\$48,136	\$48,644	<b>\$142,221</b>



Director	Value of Performance Rights			
	Tranche 1	Tranche 2	Tranche 3	TOTAL
Luke Atkins	\$121,175	\$128,361	\$129,717	<b>\$379,253</b>
Neil Lithgow	\$45,441	\$48,136	\$48,644	<b>\$142,221</b>
Pengfei Zhao	\$45,441	\$48,136	\$48,644	<b>\$142,221</b>

- (i) The Performance Rights are intended to be issued as soon as practicable following the receipt of approval at the Meeting and in any event, will be issued no later than three years after the date of the Meeting if the required approval is received.
- (j) The Performance Rights will have an issue price of nil as they will be issued as part of each Director's remuneration package.
- (k) A summary of the material terms of the Plan is in Schedule 2.
- (l) No loan will be provided to the Directors in relation to the issue of the Performance Rights.
- (m) Details of any Securities issued under the Plan will be published in the annual report of the Company relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14. Any additional persons covered by Listing Rule 10.14 who become entitled to participate in the Plan after Resolution 6(a) to (d) (inclusive) are approved and who were not named in the Notice will not participate until approval is obtained under Listing Rule 10.14.
- (n) A voting exclusion statement is included in the Notice.

#### 9.4 Information requirements for Chapter 2E of the Corporations Act

Pursuant to and in accordance with section 219 of the Corporations Act, the following information is provided in relation to the proposed issue of the Performance Rights:

(a) **Identity of the related parties to whom Resolution 6(a) to (d) (inclusive) permit financial benefits to be given**

The Performance Rights will be issued to Messrs Robert Nash, Luke Atkins, Neil Lithgow and Pengfei Zhao or their respective nominees.

(b) **Nature of the financial benefit**

Resolution 6(a) to (d) (inclusive) seeks approval from Shareholders to allow the Company to issue the Performance Rights in the amounts specified in Section 9.1 above to the Directors or their nominees. The Performance Rights are to be issued in accordance with the Plan and otherwise on the terms and conditions in Schedule 3.

The Shares to be issued upon conversion of the Performance Rights will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

(c) **Valuation of financial benefit**

A valuation of the Performance Rights is in Schedule 4, with a summary for each Director in Section 9.3(h) above.

(d) **Remuneration of Directors**

The total annual remuneration arrangements current for each of the Directors as at the date of this Notice are set out in Section 9.3(d) above.

(e) **Existing relevant interests**

At the date of this Notice, the Directors hold the following relevant interests in Equity Securities of the Company:

Director	Shares	Performance Rights
Robert Nash	330,000	666,667
Luke Atkins	22,639,574	1,333,334
Neil Lithgow	20,366,666	666,667
Pengfei Zhao	0	0

Assuming that each of the resolutions which form part of Resolution 6 are approved by Shareholders, all of the Performance Rights are issued, vested and exercised into Shares, and no other Equity Securities are issued or exercised, the respective interests of the Directors in the Company would be as follows:

- (i) Mr Nash's interest would represent approximately 1.14% of the Company's expanded capital;
- (ii) Mr Atkins' interest would represent approximately 3.04% of the Company's expanded capital;
- (iii) Mr Lithgow's interest would represent approximately 1.14% of the Company's expanded capital; and
- (iv) Mr Zhao's interest would represent approximately 1.14% of the Company's expanded capital.

(f) **Trading history**

The highest and lowest closing market sale prices of the Shares on ASX during the 12 months prior to the date of this Notice were:

Highest: \$0.099 per Share on 22 September 2020

Lowest: \$0.03 per Share on 23 March 2020

The latest available closing market sale price of the Shares on ASX prior to the date of this Notice was \$0.087 per Share on 13 October 2020.

(g) **Dilution**

The issue of the Performance Rights will have a diluting effect on the percentage interest of existing Shareholders' holdings if the Performance Rights vest and are exercised. The potential dilution effect is summarised below:

<b>Performance Rights</b>	<b>Dilutionary effect</b>
Tranche 1	2.3%
Tranche 2	2.3%
Tranche 3	2.3%

The above table assumes the current Share capital structure as at the date of this Notice (being 246,565,193 Shares on 13 October 2020) and that no Shares are issued other than the Shares issued on exercise of the Performance Rights. The exercise of all of the Performance Rights will result in a total dilution of all other Shareholders' holdings of 6.9% (assuming that all Performance Rights are exercised). The actual dilution will depend on the extent that additional Shares are issued by the Company.

(h) **Corporate governance**

The Board acknowledges the grant of the Performance Rights to the Directors, Mr Robert Nash, Mr Luke Atkins, Mr Neil Lithgow and Mr Zhao is contrary to Recommendation 8.2 of the 3rd and 4th editions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as each of the Directors are Non-Executive Directors. However, the Board considers the grant of Performance Rights to the Non-Executive Directors is reasonable in the circumstances for the reasons set out in Section 9.1. The Board also considers that the grant does not affect the independence of the Non-Executive Directors, as there is no performance based milestone attaching to the Performance Rights, other than share price performance and continued service.

(i) **Taxation consequences**

There are no taxation consequences for the Company arising from the issue of the Performance Rights (including fringe benefits tax).

(j) **Director recommendations**

The Directors decline to make a recommendation to Shareholders in relation to Resolution 6(a) to (d) (inclusive) due to their personal interests in the outcome of the Resolutions.

(k) **Other information**

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6(a) to (d) (inclusive).

## 9.5 **Additional information**

Resolution 6(a) to (d) (inclusive) are ordinary resolutions.

The Board declines to make a recommendation to Shareholders in relation to Resolution 6(a) to (d) (inclusive) due to their personal interests in the outcome of the Resolutions.

## 10. **Resolution 7- Ratification of prior issue of Placement Shares**

### 10.1 **General**

On 25 September 2020 and 5 October 2020, the Company announced that it had binding commitments for a placement to raise a total of \$2,250,000 before costs (**Placement**) by the issue of Shares at \$0.07 each (**Placement Shares**) to institutional, sophisticated and professional investors.

On 2 October 2020, the Company issued 28,571,428 Placement Shares using the Company's placement capacity under Listing Rule 7.1. The balance of 3,571,429 Placement Shares were issued on 7 October 2020.

Resolution 7 seeks the approval of Shareholders pursuant to Listing Rule 7.4 to ratify the issue of the Placement Shares.

### 10.2 **Listing Rules 7.1 and 7.4**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Shares does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, effectively uses up part of the Company's 15% placement capacity under Listing Rule 7.1. This reduces the Company's capacity to issue further Equity Securities without Shareholder approval under that Listing Rule for the 12 month period following the issue of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of Equity Securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further Equity Securities without shareholder approval under Listing Rules 7.1.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

If Resolution 7 is passed, the issue of Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of those Placement Shares.

If Resolution 7 is not passed, the issue of Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the issue of the Placement Shares.

### 10.3 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Placement Shares:

- (a) 28,571,428 Placement Shares were issued to sophisticated, professional and institutional investors who were either already known to the Company, or introduced to the Company by the lead manager of the capital raising (Taylor Collison). None of these investors is a related party of the Company or considered to be 'material investors' for the purposes of section 7.4 of ASX Guidance Note 21. 3,571,429 Placement Shares were issued to Mercantile Investment Company Limited, who is a 'material investor' for the purposes of section 7.4 of ASX Guidance Note 21 by virtue of being a substantial shareholder. Mercantile Investment Company Limited is an institutional investor and the placement was made through the lead manager (Taylor Collison).
- (b) 32,142,857 Placement Shares were issued. The Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (c) 28,571,428 Placement Shares were issued on 2 October 2020 and 3,571,429 Placement Shares were issued on 7 October 2020.
- (d) The Placement Shares were issued at \$0.07 per Share.
- (e) The proceeds from the issue of the Placement Shares are intended to be used towards progressing the Company's current exploration activities as well as for costs of the Placement and general working capital.
- (f) There are no other material terms upon which the Placement Shares were issued.
- (g) A voting exclusion statement is included in the Notice.

### 10.4 Additional information

Resolution 7 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of 6.

## 11. Resolution 8– Renew Proportional Takeover Bid Approval Provisions

### 11.1 General

The Company's Constitution contains proportional takeover bid approval provisions (**PTBA Provisions**) which enable the Company to refuse to register securities acquired under a proportional takeover bid unless a resolution is passed by Shareholders in general meeting approving the offer. Under the Corporations Act, proportional takeover provisions expire after three years from adoption or renewal and may then be renewed. The PTBA Provisions in the current Constitution will expire on 16 March 2021 and cease to apply on that date unless renewed.

Resolution 8 seeks the approval of Shareholders to modify the Constitution by renewing the PTBA Provisions for a further three years under sections 648G(4) and 136(2) of the Corporations Act. The proposed PTBA Provisions set out in Schedule 5 are identical to those previously contained at clause 36 of the Constitution.

The Corporations Act requires the Company to provide Shareholders with an explanation of the PTBA Provisions as set out below.

Resolution 8 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Board recommends that Shareholders vote in favour of Resolution 8.

## 11.2 Information required by section 648G of the Corporations Act

### (a) What is a proportional takeover bid?

A proportional off-market takeover bid (**PT Bid**) is a takeover offer sent to all Shareholders but only for a specified portion of each Shareholder's Securities. Accordingly, if a Shareholder accepts in full the offer under a PT Bid, it will dispose of the specified portion of its securities in the Company and retain the balance of the Securities.

### (b) Effect of renewal

If renewed, under clause 36 of the Constitution if a PT Bid is made to Shareholders of the Company, the board of the Company is required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held at least 15 days before the offer under the PT Bid closes.

The resolution is taken to have been passed if a majority of Securities voted at the meeting, excluding the Securities of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on at least 15 days before the close of the PT Bid, the resolution is deemed to have been passed. Where the resolution approving the PT Bid is passed or deemed to have been passed, transfers of Securities resulting from accepting the PT Bid are registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASX Operating Rules and the Company's Constitution. If the resolution is rejected, then under the Corporations Act the PT Bid is deemed to be withdrawn.

The Directors consider that Shareholders should have the opportunity to renew the PTBA Provisions. Without the PTBA Provisions applying, a PT Bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their Securities to the bidder. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their Securities whilst leaving themselves as part of a minority interest in the Company.

Without the PTBA Provisions, if there was a PT Bid and Shareholders considered that control of the Company was likely to pass, Shareholders would be placed under pressure to accept the PT Bid even if they did not want control of the Company to pass to the bidder. Renewing the PTBA Provisions will make this situation less likely by permitting Shareholders to decide whether a PT Bid should be permitted to proceed.

(c) **No knowledge of present acquisition proposals**

As at the date of this notice, no Director is aware of a proposal by any person to acquire or increase the extent of a substantial interest in the Company.

(d) **Potential advantages and disadvantages**

The renewal of the PTBA Provisions will enable the Directors to formally ascertain the views of Shareholders about a PT Bid. Without these provisions, the Directors are dependent upon their perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that renewal of the PTBA Provisions has no potential advantages or potential disadvantages for them, as they remain free to make a recommendation on whether a PT Bid should be accepted.

The Directors consider that renewing the PTBA Provisions benefits all Shareholders in that they will have an opportunity to consider a PT Bid and then attend or be represented by proxy at a meeting of Shareholders called specifically to vote on the proposal. Accordingly, Shareholders are able to prevent a PT Bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the PT Bid. Furthermore, knowing the view of Shareholders assists each individual Shareholder to assess the likely outcome of the PT Bid and whether to accept or reject that bid.

As to the possible disadvantages to Shareholders renewing the PTBA Provisions, potentially, the proposal makes a PT Bid more difficult and PT Bids will therefore be discouraged. This may reduce the opportunities which Shareholders may have to sell all or some of their Securities at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Company's Share price. The PTBA Provisions may also be considered an additional restriction on the ability of individual Shareholders to deal freely on their Securities.

The Directors consider that there are no other advantages or disadvantages for Directors or Shareholders which arose during the period during which the PTBA Provisions were in effect, other than those discussed in this Section.

On balance, the directors consider that the possible advantages outweigh the possible disadvantages so that the renewal of the PTBA Provisions is in the interest of Shareholders.

## Schedule 1 Definitions

In the Notice, words importing the singular include the plural and vice versa.

<b>\$ or A\$</b>	means Australian Dollars.
<b>Annual Report</b>	means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2020.
<b>ASX</b>	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
<b>Auditor's Report</b>	means the auditor's report on the Financial Report.
<b>Board</b>	means the board of Directors.
<b>Chair</b>	means the person appointed to chair the Meeting of the Company convened by the Notice.
<b>Closely Related Party</b>	means: <ul style="list-style-type: none"><li>(a) a spouse or child of the member; or</li><li>(b) has the meaning given in section 9 of the Corporations Act.</li></ul>
<b>Company</b>	means Australian Silica Quartz Group Ltd ACN 119 699 982.
<b>Constitution</b>	means the constitution of the Company as at the date of the Meeting.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Directors' Report</b>	means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.
<b>Equity Security</b>	has the same meaning as in the Listing Rules.
<b>Explanatory Memorandum</b>	means the explanatory memorandum which forms part of the Notice.
<b>Financial Report</b>	means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.
<b>Key Management Personnel</b>	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.



<b>Listing Rules</b>	means the listing rules of ASX.
<b>Meeting</b>	has the meaning given in the introductory paragraph of the Notice.
<b>Notice</b>	means this notice of annual general meeting.
<b>Option</b>	means an option to acquire a Share.
<b>Performance Rights</b>	means up to 17,000 000 performance rights to be issued to the Directors on the terms and conditions in Schedule 3, which are the subject of Resolution 6(a) to (d) (inclusive).
<b>Placement</b>	has the meaning given in Section 10.1.
<b>Placement Shares</b>	has the meaning given in Section 10.1.
<b>Plan</b>	means the Company's Employee Securities Incentive Plan which is the subject of Resolution 4, a summary of which is in Schedule 2.
<b>Proxy Form</b>	means the proxy form attached to the Notice.
<b>PT Bid</b>	has the meaning set out in Section 11.1.
<b>Remuneration Report</b>	means the remuneration report of the Company contained in the Directors' Report.
<b>Resolution</b>	means a resolution referred to in the Notice.
<b>Schedule</b>	means a schedule to the Notice.
<b>Section</b>	means a section of the Explanatory Memorandum.
<b>Securities</b>	means any Equity Securities of the Company (including Shares, Options and/or Performance Rights).
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means the holder of a Share.
<b>Strike</b>	means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.
<b>VWAP</b>	means volume weighted average market price.
<b>WST</b>	means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 Summary of Australian Silica Quartz Group Employee Securities Incentive Plan

A summary of the key terms of the Plan is set out below:

1. **(Eligible Participant):** Eligible Participant means a person that:
  - (a) is an 'eligible participant' (as that term is defined in ASIC Class Order [CO 14/1000]) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order [14/1000]); and
  - (b) has been determined by the Board to be eligible to participate in the Plan from time to time.
2. **(Purpose):** The purpose of the Plan is to:
  - (a) assist in the reward, retention and motivation of Eligible Participants;
  - (b) link the reward of Eligible Participants to Shareholder value creation; and
  - (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.
3. **(Plan administration):** The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.
4. **(Eligibility, invitation and application):** The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides. On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part. If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.
5. **(Grant of Securities):** The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
6. **(Terms of Convertible Securities):** Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan. Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

7. **(Vesting of Convertible Securities):** Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.
8. **(Exercise of Convertible Securities and cashless exercise):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation. At the time of exercise of the Convertible Securities, subject to Board approval at that time, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

'Market Value' means, at any given date, the volume weighted average price per Share traded on the ASX over the five trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

9. **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.
10. **(Forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
  - (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.
11. **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in

and/or benefit from any transaction arising from or in connection with the change of control event.

12. **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, **(Plan Shares)** will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.
13. **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
  - (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
14. **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation. If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised. Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.
  15. **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.
  16. **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

17. **(Plan duration):** The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

## Schedule 3 Terms and Conditions of Performance Rights

A summary of the terms and conditions of the Performance Rights is below:

1. **(Vesting Conditions):** The Performance Rights shall vest as follows:
  - (a) Tranche 1 Performance Rights: upon:
    - (i) the Company's Share Price reaching a 30 day VWAP which is 50% above the 5 day VWAP prior to the date of the Meeting, in the period from 1 December 2020 to 30 November 2021; and
    - (ii) 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.
  - (b) Tranche 2 Performance Rights: upon:
    - (i) the Company's Shares reaching a 30 day VWAP which is 75% above the 5 day VWAP prior to the date of the Meeting in the period from 1 December 2021 to 30 November 2022; and
    - (ii) 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.
  - (c) Tranche 3 Performance Rights: upon:
    - (i) the Company's Shares reaching a 30 day VWAP which is 100% above the 5 day VWAP prior to the date of the Meeting in the period from 1 December 2022 to 30 November 2023; and
    - (ii) 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.
2. **(Conversion):** Once vested, each Performance Right will, at the election of the holder, convert into one Share. The holder will be entitled to give notice to the Company Secretary in writing that the relevant Performance Rights have vested and, provided that the holder remains employed by the Company at the time of giving such notice, the Company shall, unless otherwise directed by the holder, issue the associated number of Shares within 5 Business Days of receipt of such notice.
3. **(Consideration):** The Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the conversion of the Performance Rights.
4. **(Share ranking):** All Shares issued upon the conversion of the Performance Rights will upon issue rank pari passu in all respects with other Shares.

5. **(Quotation of Shares on ASX):** The Performance Rights will not be quoted on ASX. Upon conversion of the Performance Rights into Shares, the Company will apply for quotation of all Shares issued upon conversion of the Performance Rights within the period required by ASX.
6. **(Dividend and Voting Rights):** A Performance Right does not confer upon the holder an entitlement to notice of, or to vote or attend at, a meeting of the Shareholders of the Company or receive dividends declared by the Company.
7. **(Share Buy-back/ Capital Return):** In the event that there is a share buy-back or capital return to Shareholders undertaken by the Company which has a material impact on the Company's market capitalisation and upon the achievability of the performance criteria in respect of the Performance Rights, set out in paragraph 1 above, the parties will agree on a pro rata adjustment of the market capitalisation targets required to be met as part of the performance criteria. Any such changes to the performance criteria of the Performance Rights will be subject to Shareholder approval and any other restrictions imposed by ASX.
8. **(Participation in new issues):** There are no participation rights or entitlements inherent in the Performance Rights and holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
9. **(Reorganisation of capital):** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of the holder of the Performance Rights are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
10. **(Change in Control Event):** Notwithstanding any other provision of these terms and conditions, if a Change in Control Event (as defined in the Plan) occurs, the Performance Rights will be deemed to have vested and must be converted into Shares within 5 Business Days of the Change in Control Event occurring.
11. **(Plan terms)** The Performance Rights are issued pursuant to and are subject to the Plan. In the event of conflict between a provision of these terms and conditions and the Plan, these terms and conditions prevail to the extent of that conflict.

## Schedule 4 Valuation of Performance Rights

The Performance Rights to be issued to the Directors pursuant to Resolution 6(a) to (d) (inclusive) have been independently valued by Stantons International Securities using the Black Scholes option pricing model that simulates the Company's share price at the expiry date.

The variables required to value the Performance Rights are as follows:

Item	Tranche 1	Tranche 2	Tranche 3
Underlying Security Spot Price	\$0.077	\$0.077	\$0.077
Exercise Price	Nil	Nil	Nil
Share Price Barrier	\$0.1141	\$0.1331	\$0.1522
Assumed Grant Date	7 October 2020	7 October 2020	7 October 2020
Expiration Date	30 November 2021	30 November 2022	30 November 2023
Life of Rights (years)	1	2	3
Volatility	70%	70%	70%
Risk free rate	0.1401%	0.1401%	0.1404%

Using the above variables, Stantons International Securities Pty Ltd have calculated the value of the Performance Rights as follows:

Director	Performance Rights Tranche 1		Performance Rights Tranche 2		Performance Rights Tranche 3		TOTAL
	Number	Value per Right	Number	Value per Right	Number	Value per Right	
Robert Nash	1,000,000	\$0.046	1,000,000	\$0.048	1,000,000	\$0.049	<b>\$142,221</b>
Luke Atkins	2,666,666	\$0.046	2,666,667	\$0.048	2,666,667	\$0.049	<b>\$379,253</b>
Neil Lithgow	1,000,000	\$0.046	1,000,000	\$0.048	1,000,000	\$0.049	<b>\$142,221</b>
Pengfei Zhao	1,000,000	\$0.046	1,000,000	\$0.048	1,000,000	\$0.049	<b>\$142,221</b>
<b>TOTAL</b>	<b>5,666,666</b>	<b>\$0.046</b>	<b>5,666,667</b>	<b>\$0.048</b>	<b>5,666,667</b>	<b>\$0.049</b>	<b>\$815,916</b>



## Schedule 5 Clause 36 of the Constitution

### 36. PARTIAL TAKEOVER PLEBISCITES

#### 36.1 Resolution to Approve Proportional Off-Market Bid

- (a) Where offers have been made under a proportional off-market bid in respect of a class of securities of the Company (“**bid class securities**”), the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the proportional off-market bid is prohibited unless and until a resolution (in this clause 36 referred to as a “**prescribed resolution**”) to approve the proportional off-market bid is passed in accordance with the provisions of this Constitution.
- (b) A person (other than the bidder or a person associated with the bidder) who, as at the end of the day on which the first offer under the proportional off-market bid was made, held bid class securities is entitled to vote on a prescribed resolution and, for the purposes of so voting, is entitled to one vote for each of the bid class securities.
- (c) A prescribed resolution is to be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the prescribed resolution.
- (d) A prescribed resolution that has been voted on is to be taken to have been passed if the proportion that the number of votes in favour of the prescribed resolution bears to the total number of votes on the prescribed resolution is greater than one half, and otherwise is taken to have been rejected.

#### 36.2 Meetings

- (a) The provisions of this Constitution that apply in relation to a general meeting of the Company apply, with modifications as the circumstances require, in relation to a meeting that is convened pursuant to this clause 36 as if the last mentioned meeting was a general meeting of the Company.
- (b) Where takeover offers have been made under a proportional off-market bid, the Directors are to ensure that a prescribed resolution to approve the proportional off-market bid is voted on in accordance with this clause 36 before the 14<sup>th</sup> day before the last day of the bid period for the proportional off-market bid (the “**resolution deadline**”).

#### 36.3 Notice of Prescribed Resolution

Where a prescribed resolution to approve a proportional off-market bid is voted on in accordance with this clause 36 before the resolution deadline, the Company is, on or before the resolution deadline:

- (a) to give the bidder; and
- (b) if the Company is listed – each relevant financial market (as defined in the Corporations Act) in relation to the Company;

a notice in writing stating that a prescribed resolution to approve the proportional off-market bid has been voted on and that the prescribed resolution has been passed, or has been rejected, as the case requires.

### **Takeover Resolution Deemed Passed**

Where, at the end of the day before the resolution deadline, no prescribed resolution to approve the proportional off-market bid has been voted on in accordance with this clause 36 , a resolution to approve the proportional off-market bid is to be, for the purposes of this clause 36 , deemed to have been passed in accordance with this clause 36 .

### **Takeover Resolution Rejected**

Where a prescribed resolution to approve a proportional off-market bid under which offers have been made is voted on in accordance with this clause 36 before the resolution deadline, and is rejected, then:

- (a) despite section 652A of the Corporations Act:
  - (i) all offers under the proportional off-market bid that have not been accepted as at the end of the resolution deadline; and
- (b) all offers under the proportional off-market bid that have been accepted and from whose acceptance binding contracts have not resulted as at the end of the resolution deadline,
  - (i) are deemed to be withdrawn at the end of the resolution deadline;
  - (ii) as soon as practicable after the resolution deadline, the bidder must return to each person who has accepted any of the offers referred to in clause 36 any documents that were sent by the person to the bidder with the acceptance of the offer;
- (c) the bidder:
  - (i) is entitled to rescind; and
  - (ii) must rescind as soon as practicable after the resolution deadline,
  - (iii) each binding takeover contract resulting from the acceptance of an offer made under the proportional off-market bid; and
- (d) a person who has accepted an offer made under the proportional off-market bid is entitled to rescind the takeover contract (if any) resulting from the acceptance.

### **Renewal**

This clause 36 ceases to have effect on the third anniversary of the date of the adoption of the last renewal of this clause 36.

# AGM Proxy Voting Form

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10.30am (WST) on Saturday, 28 November 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

## SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

### STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

### SIGNING INSTRUCTIONS

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### Lodging your Proxy Voting Form:

#### Online:

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

**Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.**



#### BY MAIL:

Automic  
GPO Box 5193  
Sydney NSW 2001

#### IN PERSON:

Automic  
Level 5, 126 Phillip Street  
Sydney NSW 2000

#### BY EMAIL:

[meetings@automicgroup.com.au](mailto:meetings@automicgroup.com.au)

#### BY FACSIMILE:

+61 2 8583 3040

**All enquiries to Automic:**

**WEBCHAT:** <https://automicgroup.com.au/>

**PHONE:** 1300 288 664 (Within Australia)  
+61 2 9698 5414 (Overseas)

