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Exploration and Development Activities

The following is a summary of the activities undertaken by VRX Silica Limited (**VRX Silica** or **Company**) during the June quarter 2021.

Permitting

The Company's Arrowsmith North Silica Sand Project, located north of Perth, Western Australia, has moved to the next stage of the environmental approval process with the Environmental Protection Authority of Western Australia (**EPA**).

The EPA has informed the Company that it will assess the proposal under s39A(1) of the Environmental Protection Act 1986 at a Public Environmental Review (**PER**) level of assessment.

The Company has lodged an Environmental Scoping Document (**ESD**), which details the environmental studies that are required to inform the assessment of the project.

The following additional studies have been completed:

- Cultural and Heritage Assessment
- Greenhouse Gas Emissions Estimate

Additionally, a High-Level Air Quality Assessment study is in progress and these studies will be lodged with the EPA.

Preparation of the ESD is a fundamental step in the EPA administration procedures to inform the Environmental Impact Assessment of Arrowsmith North. The Company is confident the project has addressed the Environmental Principles, Factors and Objectives of the guidelines for assessment.

The comments will enable the Company to clarify the timeline to completion of the approvals process and development of the project.

Other government agencies will be restricted from approving any approvals related to the full development of the project until the EPA process is complete (noting exploration and investigations are not restricted).

The Commonwealth Department of Agriculture, Water and Environment (**DAWE**) has determined that the project will be assessed by accredited assessment under the *Environmental Protection Act 1986 (WA)* in the form of a PER with a four-week public review period which aligns with the EPA decision.

Grade Control

The Company completed its grade control program at Arrowsmith North in March 2021, drilling 130 holes for 1,459 metres, and all assay results and other determinations have now been received.

These results were in line with expectations and will allow the Company to update the Mineral Resource Estimate in the area covered by the drilling. The Company will then conduct a detailed review of the outlined production for the next 6 years with a detailed mining and processing schedule.

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Engineering

The Company has commissioned experienced sand processing engineers, ProjX Engineering, to carry out a detailed engineering design for the Arrowsmith North processing plant.

The design is based on a significant testwork regime and the proposed process circuit. Preliminary engineering design is well developed now with most all of the key process equipment identified, sized and selected, and plant design well advanced across all disciplines including civil, structural, mechanical and electrical. Site layout and access design is well progressed along with non-process infrastructure requirements being determined also. 3D modelling is now progressing with the aim of having an overall site and plant model completed by the end of August.

Following this, the Company will specify and tender appropriate processing equipment for the plant to be procured at the earliest opportunity following a decision to mine at Arrowsmith North.

To enable a timely construction program the Company will identify long-lead items and commence the procurement process.

Power

The Company has been in discussions with a number of potential power providers to supply the power requirements at Arrowsmith North.

The Company's sustainability goals include having a low carbon footprint at all of its silica sand projects, and all providers have indicated that a renewable energy solution to be ultimately driven by solar and wind options supported by gas is not only viable but will also be cost-effective.

Port

The Company has continued its discussions with the Mid West Ports Authority (**MWPA**), operators of the Geraldton Port, around logistics and access to port facilities for export. The outcome of these discussions has been positive as the Company looks to secure a long-term relationship with MWPA.

The Company has completed the testwork on Arrowsmith North silica sand final product and has sent results to MPWA to allow it to amend its EPA licence conditions to facilitate export of silica sand products from Geraldton Port.

Most important are the respirable silica results which are well below the allowable limits.

Offtake

Interest in the Company's products from Arrowsmith North remains incredibly strong and continues to grow. Demand for significant bulk samples for final furnace testing, which is regarded as the last quality assurance test before supply contracts are agreed with potential offtake partners in South Korea, Japan and Taiwan, has led the Company to undertake a substantial pilot plant-scale testwork program on 1 tonne of Arrowsmith North ore. Some samples have been dispatched and further samples are waiting on final Particle Size Distribution estimate and mineralogical assays.

It will also enable the Company to further test the project's process circuit design.

Financing

Interest remains strong from third party debt financiers to fund development and construction of the plant for Arrowsmith North. The Company has engaged AMC Consultants to undertake a comprehensive independent technical review of the project, which will underpin due diligence on the project by potential financiers.

Water Bore

The Company commenced drilling of a water production bore which will be the source of water supply for the proposed processing plant at Arrowsmith North. The supply of good quality processing water is a critical step in the development of Arrowsmith North.

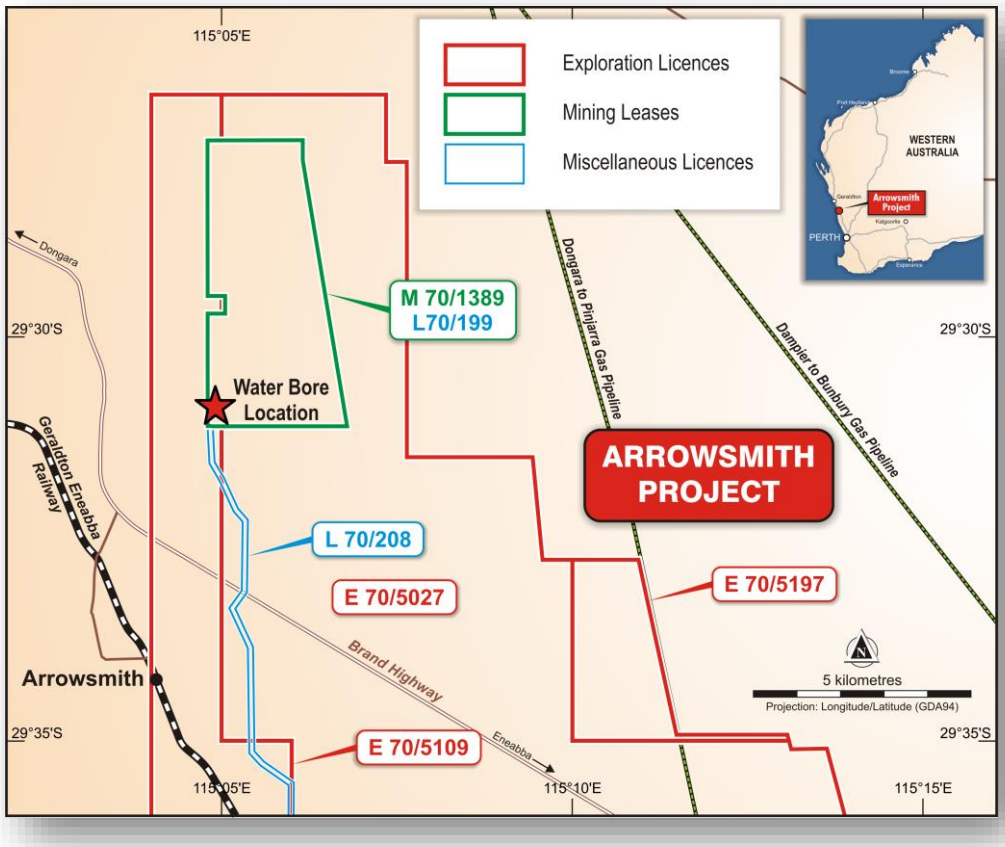


Figure 1: Water Bore Location

Water is being sourced from the deep and plentiful Yarragadee North aquifer and doesn't affect the local users of the shallower Eneabba basin surficial water supplies.

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Drilling is being undertaken by a licenced water bore driller, see Figure 2, under an approved Licence to Construct or Alter a Well, CAW205840(1), from the Department of Water and Environmental Regulation (**DWER**).

DWER has accepted the Company's application for an allocation of 900,000 kilolitres. The 5C licence to take water will be applied for once the bore construction and geophysical logging and test pumping results have been forwarded to DWER.



Figure 2: Water Bore Rig onsite

Corporate

Substantial Shareholder

The Company was pleased to welcome a significant investment in its shares by a new strategic European-based investor group[1].

The investment followed due diligence inquiries on the Company and its Arrowsmith North, Arrowsmith Central and Muchea Silica Sand Projects.

The investment was undertaken via a combination of off-market transfers from VRX Top 20 shareholders and on-market acquisitions.

[1] See Form 603 – Notice of Initial Substantial Holder lodged 1 June 2021.

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Sale of Biranup Project

VRX Silica confirmed completion of the sale of its Biranup nickel project to NickelX Limited (**NickelX**) through the sale of its wholly owned subsidiary, Ventnor Gold Pty Ltd. The proposal was first announced to ASX on 1 July 2020. NickelX shares commenced trading on ASX on 7 May 2021.

The Biranup project comprises a total project area of almost 400km^2 with six granted tenements that have no pastoral lease or native title claims. The project covers a region which hosts many varying mineralisation styles. VRX had previously identified the potential for base metal mineralisation and successfully drilled and intersected copper and nickel sulphides on a structurally controlled geophysical target at the Fire Dragon Prospect. Studies have shown the right geology is present for Nova Type mafic intrusive Ni-Cu Deposit.

Under the terms of the sale agreement, the consideration comprised 6,250,000 fully paid ordinary shares in NickelX issued at completion (escrowed for 12 months in accordance with ASX requirements) and up to $900,000 in cash payments subject to achievement of milestones linked to delineation of a JORC resource, completion of a feasibility study and commercial production. The Company lodged the required substantial shareholder notice advising the market of its 9.11% holding in NickelX.

Biranup is the last of the Company's non-silica sand projects. The sale will enable VRX Silica to share in any future exploration success in the project and allow the Company to focus on its stated aim of becoming a global supplier of high-quality silica sand, initially from its Arrowsmith and Muchea silica sand projects.

VRX Included in MISCI Small Caps Index

Global market index provider, Morgan Stanley Capital International, otherwise known as the MSCI announced changes to their Australian Global Micro Cap Indexes.

As part of the changes, effective as at close of business on 27 May 2021, VRX Silica was added to the MSCI Australia Micro Cap Index which is designed to measure the performance of the Micro Cap segment of companies traded on the ASX.

MSCI is a leading provider of investment services such as research, data and technology to the global investment community enabling clients to better understand and analyse key drivers of risk and return and build more effective investment portfolios.

There are a number of advantages to VRX Silica being admitted into a global index such as MSCI, including:

- exposure to larger and global institutions
- research coverage and transparency for institutional and retail investors
- broader exposure to the Australian and International investment markets
- increased trading liquidity
- access to capital sources

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Events Subsequent to the Quarter

The Company's listed options (VRXO) ended trading on 27 July 2021 ahead of their expiry date of 31 July 2021. The Company provided requisite notice to VRXO holders of the impending expiry and notified of alternative courses of action available to holders prior to expiry.

Guidance Note 23 disclosures

Details of mining exploration activities

The $52,000 payments for exploration & evaluation under operating activities was comprised of $35,000 tenement rents and $17,000 licences to draw water at Arrowsmith North.

The $381,000 payments for exploration & evaluation under investing activities included $29,000 surveying of mining leases, $81,000 metallurgical test work and assays, $60,000 environmental approvals, including flora and fauna assessment reports, $144,000 grade control drilling and assays and $52,000 processing plant preliminary engineering design and cost estimating

Details of administration and corporate payments

The administration and corporate payments for the quarter included $21,000 for independent remuneration review services, $11,000 for ESG reporting advisory services, $37,000 for independent technical review services for financing purposes, $49,000 for insurance and $13,000 for legal fees.

Details of tenement activities

During the quarter, the following tenements were disposed of (part of the Biranup Project sale):
Exploration Licence E38/3191
Exploration Licence E38/3294
Exploration Licence E38/3533 (under application)
Exploration Licence E39/1828
Exploration Licence E39/2000
Exploration Licence E39/2001
Exploration Licence E39/2003

During the quarter, the following tenement was applied for:
Exploration Licence E70/5817

Details of related party payments

The aggregate amount of payments to related parties and their associates of $127,000 represents directors' fees and salaries paid during the quarter.

This report has been authorised for release to ASX by the Board of Directors.

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Further information:

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Interests in Mining Tenements (Western Australia)

Arrowsmith Project – Silica

Tenement	Status	Interest at beginning of quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of quarter
E70/4986	Granted	100%	-	-	100%
E70/4987	Granted	100%	-	-	100%
E70/5027	Granted	100%	-	-	100%
E70/5109	Granted	100%	-	-	100%
E70/5197	Granted	100%	-	-	100%
E70/5817	Application	-	-	-	-
M/1389	Granted	-	-	100%	100%
M/1392	Granted	-	-	100%	100%
L70/198	Granted	100%	-	-	100%
L70/199	Granted	100%	-	-	100%
L70/202	Granted	-	-	100%	100%
L70/203	Granted	-	-	100%	100%
L70/208	Granted	-	-	100%	100%

Muchea Project – Silica

Tenement	Status	Interest at beginning of quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of quarter
E70/4886	Granted	100%	-	-	100%
E70/5157	Granted	100%	-	-	100%
E70/5548	Application	-	-	-	-
E70/5651	Application	-	-	-	-
M/1390	Granted	-	-	100%	100%
L70/200	Granted	100%	-	-	100%
L70/204	Granted	-	-	100%-	100%
L70/205	Application	-	-	-	-
L70/206	Granted	-	-	100%-	100%-

Boyatup Project – Silica

Tenement	Status	Interest at beginning of quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of quarter
E69/3560	Granted	100%	-	-	100%
E69/3668	Granted	100%	-	-	100%

Biranup Project – Base Metals/Gold

Tenement	Status	Interest at beginning of quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of quarter
E39/1828	Granted	100%	100%	-	-
E38/3191	Granted	100%	100%	-	-
E39/2000	Granted	100%	100%	-	-
E39/2001	Granted	100%	100%	-	-
E39/2003	Granted	100%	100%	-	-
E38/3294	Granted	100%	100%	-	-
E38/3533	Application	-	-	-	-

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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Name of entity

VRX SILICA LTD

ABN	Quarter ended ("current quarter")
59 142 014 873	30 June 2021

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(52)	(95)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(208)	(693)
	(e) administration and corporate costs	(398)	(1,229)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	5
1.5	Interest and other costs of finance paid (on lease liability)	(5)	(8)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	50
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(659)**	**(1,970)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2)	(2)
	(d) exploration & evaluation	(381)	(1,067)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(383)**	**(1,069)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	2,673	4,364
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(431)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liability)	(20)	(55)
3.10	**Net cash from / (used in) financing activities**	**2,653**	**10,878**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,831	2,603
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(659)	(1,970)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(383)	(1,069)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,653	10,878

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**10,442**	**10,442**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	5,438	3,831
5.2	Call deposits	5,004	5,000
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**10,442**	**8,831**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	127
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(659)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(381)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,040)
8.4	Cash and cash equivalents at quarter end (item 4.6)	10,442
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	10,442
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	10

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

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8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: Not applicable	

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021 .....

Authorised by: By the board .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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