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29 October 2021

ASX ANNOUNCEMENT

SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

The following is a summary of the activities conducted by VRX Silica Limited (**VRX** or **Company**) to progress the Company's Silica Sand Projects during the September 2021 quarter.

Engineering Arrowsmith North

In the June 2021 quarter, VRX commissioned experienced sand processing engineers, ProjX Engineering, to carry out a detailed engineering design for the Arrowsmith North processing plant. Prior to engaging ProjX the Company conducted an ongoing and comprehensive testwork regime to determine the optimum process circuit to produce a number of specific marketable products.

During the September 2021 quarter, the Company held regular meetings with ProjX. The preliminary engineering design is well developed with most of the key process equipment identified, sized and selected, and plant design is well advanced across all disciplines including civil, structural, mechanical and electrical.

Site layout and access design was surveyed for Aboriginal Heritage (and cleared). The design is well progressed along with non-process infrastructure requirements being determined. The creation of an overall site and plant model will culminate in 3D modelling which can be viewed on the Company's website (www.vrxsilica.com.au).

The Company has identified long-lead items and during the quarter commenced the specification and tendering of appropriate processing equipment for the plant in preparation for the procurement process in order to enable a timely construction program following a decision to mine at Arrowsmith North.

VRX was granted permission to drill an initial testbore and monitoring boreholes for a borefield to extract processing water from the deep Yarragadee acquifer. The development of these bores is underway. The plant has been designed to operate predominately with recycled water.

Heritage Arrowsmith North

During the September 2021 quarter a comprehensive Aboriginal Heritage Survey was conducted over the 30 year mining envelope at Arrowsmith North. The survey was conducted by six Aboriginal Consultants from the Yamatji Southern Regional Corporation, three Heritage Consultants and one representative from VRX.

The survey found no previously unrecorded Aboriginal archaeological sites during the survey which was consistent with previous recordings in the area. The absence of newly recorded Aboriginal sites demonstrates that unsuitable conditions for the formation and persistence of surface archaeological sites or previously unrecorded ethnographic sites within the project area and surrounds. There are no recorded heritage features in the survey area requiring action or management.

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During the Heritage surveys the Company engaged the consultants to record fauna observations while traversing the survey area. These observations were compiled at the end of each day to provide a first-hand summary of field observations of potential fauna sightings. This data will be incorporated into fauna submissions as part of the environmental approvals process. The Company has used this exercise as an introduction to the future Ranger program with the Yamatji Southern Regional Corporation.

Environmental

VRX has conducted extensive environmental studies over the Company's silica sand projects over a number of seasons in anticipation of requirements of the State and Federal environmental regulation departments. These surveys commenced shortly after the tenements were acquired and the number and extent of these surveys have expanded following further consultation with those departments. The Company has initially concentrated on gaining approval for development of the Arrowsmith North project.

During the September 2021 quarter the Company undertook additional work for Short Range Endemic (SRE) invertebrate species at Arrowsmith North and Central and Muchea silica sand projects, additional foot traverses for flora surveys at Arrowsmith North and Central, Green House Gas (GHG) emissions report, air emissions assessment, top up dieback surveys, property assessments for potential offsets at Arrowsmith North, and a Cultural Values and Heritage assessment for Arrowsmith North.

The Company lodged a draft Environmental Scoping Document (**ESD**) for Arrowsmith North with the Environmental Protection Authority of Western Australia (**EPA**) to define the form, content, timing and procedure of the environmental review, required by s.40(3) of the *Environmental Protection Act* 1986 (WA) (**EP Act**). VRX has prepared the draft ESD according to the procedures in the EPA's Environmental Impact Assessment (**EIA**) (Part IV Divisions 1 and 2) Procedures Manual (EPA, 2020). The Company is awaiting comments from the EPA on the review before lodging the final formal documentation. This review will determine the requirement for any further studies and the timing of the EIA assessment and public consultation required.

During the quarter the Company also lodged a referral and supporting information document for the Arrowsmith Central Silica Sand project with the EPA under section 38 of the EP Act.

The EPA's *Statement of Environmental Principles, Factors and Objectives* provides a list of potential key environmental factors to consider for an EIA, which include requiring assessment from initial baseline surveys, project planning and consultation processes. The referral identifies the relevant baseline environmental information for the receiving environment, proposal activities, mitigation measures, impacts and underlying assumptions.

The EPA has 28 days to determine whether to assess the referred proposal and, if so, what level of assessment to assign. This timeframe starts once the EPA has received all required information and has determined the referral to be valid. The EPA's decision to assess the proposal will be published on the EPA's website in due course. Based on the EPA's decision on Arrowsmith North, the Company is anticipating a Public Environmental Review (PER) level of assessment.

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The Company believes it has identified what studies are likely to be required and, to the extent not already undertaken, they are under way as part of this Spring field season. This is based on the environmental approval work to-date and continued consultation with the EPA, and will provide relevant information for the EIA for Arrowsmith Central.

Sustainability

During the September 2021 quarter, VRX announced its commitment to a series of Environmental, Social and Governance (**ESG**) initiatives ahead of the release of its FY21 Sustainability Report, the first one to be published by the Company and included in the 2021 Annual Report.

VRX is conscious of its social licence obligations, not only in proactively engaging with the traditional owners and other stakeholders in the region, but also as an emerging global supplier, to join the world movement towards a low-carbon future. Carbon life cycle analysis for estimated greenhouse gas (GHG) emissions at Arrowsmith North have been conducted.

To ensure that VRX can measure, assess and communicate progress, the Company engaged ESG specialist Futureproof Consulting to ensure appropriate data disclosures and framework alignment. Following global best-practice, VRX stakeholders have been engaged and a list of material ESG topics has been developed alongside a materiality matrix to prioritise the most critical issues. Focus areas include minesite rehabilitation, health, safety and wellbeing, endangered species, emissions and greenhouse gases and business ethics.

Underpinned by a global prospective customer base, VRX applauds the fact that expectations of corporate behaviour are changing and investment capital is being redirected towards more responsible entities. Sustainable investment now tops $35 trillion globally, including two-year growth of 25% across Australasia.[1]

This has transformed the environment in which VRX operates to one with new priorities around climate risk, biodiversity loss and, more recently, COVID-19 and its associated public health and social challenges.

Importantly, in these early stages of VRX developing its world-class silica sand projects, the Company is able to investigate opportunities to limit its impact on the world in which it operates. VRX will build resilience and drive positive outcomes through its commitment to long-term, sustainable value creation for all stakeholders.

In partnership with the Big 4 accounting firms, the World Economic Forum (**WEF**) identified a set of global, cross-industry baseline disclosures and ESG metrics for companies to use to analyse their ESG performance and communicate this to their stakeholders on a regular basis. Disclosures were drawn from existing voluntary standards including GRI, SASB and TCFD and across four pillars considered the most critical for business, society and the planet.

The adoption by VRX of the WEF framework has already highlighted a number of ESG opportunities, including the Company's long-term objective of integration of solar and battery capacity into power generation and a purpose-built Vegetation Direct Transfer (**VDT**) mining method. VDT has been designed by VRX for rapid regeneration through continuous

[1] Global Sustainable Investment Review 2020 (http://www.gsi-alliance.org/wp-content/uploads/2021/07/GSIR-2020.pdf)

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rehabilitation that ensures the best outcome for the vast majority of native flora and fauna across the Company's silica sand projects.

These initiatives reflect VRX's commitment to reducing its environmental footprint and building sustainable outcomes for all stakeholders, focusing on the Company's key development assets and the surrounding communities. The Company will update stakeholders regularly on its ESG progress and ensure VRX and its projects remain a responsible investment opportunity.

With the support of Futureproof, VRX will measure, monitor and report on its sustainability progress. Futureproof helps companies adapt to the growing demands of investors and stakeholders to implement and improve their ESG strategies and reporting practices.

Offtake

Further product samples from a substantial pilot plant-scale testwork program on Arrowsmith North ore have been shipped to potential offtake partners. Recipients have confirmed that the sand quality meets their specification requirements. The Company continues to engage with potential buyers with the view of procuring long term supply contracts.

The Company continues to further test the project's process circuit design to provide products that meet a number of foundry and glass making specifications.

Corporate

During the September 2021 quarter, the Company's quoted options (ASX:VRXO) expired and a strong take-up for exercise placed the Company in a solid financial position. A total of 22,662,911 options were exercised before their 31 July 2021 expiry date, representing a 94.7% take up, raising a total of $4,079,324.

Also during the quarter VRX strengthened its Board of Directors with the appointment of David Welch as a Non-Executive Director.

Mr Welch is an experienced and well credentialed senior executive with a successful track record in the planning, development and operation of logistics and infrastructure supply chains for commodities markets, including; mining, agriculture and industrial products sectors.

From 2007 to 2017, Mr Welch held senior executive positions within Aurizon Holdings Limited, Australia's largest rail freight operator. These positions included VP Iron Ore, VP Market Development and EVP Strategy and Business Development where he had direct responsibility for strategy, business transformation and performance, commercial negotiations, stakeholder engagement, major projects, joint venture management, M&A and business development. He was previously the Managing Director of The Millennium Group from 1998 to 2006 and was a Marketing Manager at CSBP Limited (part of the Wesfarmers conglomerate) responsible for the management of mining reagent logistics from 1989 to 1994.

Mr Welch holds a Bachelor of Commerce (1st Class Hons) from the University of Western Australia.

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Events Subsequent to the End of the Quarter

Arrowsmith North

Subsequent to the end of the quarter, VRX sought consent from the EPA to amend the proposed development (a s43A application) at Arrowsmith North during the assessment phase.

The amendment comprises the following:

- Relocation of the silica sand processing plant from the Access and Processing Development Envelope to within the Mine Development Envelope.
- Removal of the western access train loadout facilities.
- Removal of the solar farm area (which will be relocated once suitable land is accessed).
- A reduction in the extent of the Access and Processing Development Envelope from 447 hectares (ha) to 61 ha and renaming it the Access Development Envelope.
- An overall reduction in the extent of clearing from 412.2 ha to 366.5 ha.

Restricting the project to use of the southern access route for trucking in the short term removes the complexities surrounding the western access option and reduces the project footprint. The southern route will also provide for development of a rail loadout facility in the future.

Pursuant to section 43A of the EP Act, the EPA has given its consent to the amendment, which will enable the proposed action to continue to be assessed by accredited assessment by the Department of Agriculture, Water and the Environment (**DAWE**).

The determination has been updated on the EPA website:
https://www.epa.wa.gov.au/proposals/arrowsmith-north-silica-sand-project

Arrowsmith Central

Subsequent to the quarter VRX received confirmation from the Federal department of DWER that the Company's proposal for its Arrowsmith Central Silica Sand Project was being considered under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) and that information about this proposed action has been published on the Department's website for public consultation. The period of consultation will extend for 10 business days.

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Guidance Note 23 disclosures

Details of Mining Exploration Activities

Payments for exploration & evaluation under operating activities related mainly to tenement rates and rents.

Payments for exploration & evaluation under investing activities consists mainly of processing plant engineering design and related metallurgical test work and environmental surveys and approvals costs.

Details of Tenement Activities

During the quarter, the following tenements were granted at the Arrowsmith Project:
Exploration Licence E70/5817
Exploration Licence E70/5548
Miscellaneous Licence L70/230

During the quarter, the following tenement was applied for at the Arrowsmith Project:
Miscellaneous Licence E70/229

Details of Related Party Payments

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

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

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	Granted	-	-	100%	100%
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%
L70/230	Granted	-	-	100%	100%
L70/229	Application	-	-	-	-

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	Granted	-	-	100%	100%
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%

Appendix 5B

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

Name of entity

VRX SILICA LTD

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

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(18)	(18)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(180)	(180)
	(e) administration and corporate costs	(391)	(391)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	5
1.5	Interest and other costs of finance paid (on lease liability)	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(587)**	**(587)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(22)	(22)
	(d) exploration & evaluation	(661)	(661)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(683)**	**(683)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	3,821	3,821
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	(16)	(16)
3.10	**Net cash from / (used in) financing activities**	**3,805**	**3,805**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	10,442	10,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(587)	(587)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(683)	(683)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,805	3,805

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**12,977**	**12,977**

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	7,970	5,438
5.2	Call deposits	5,007	5,004
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)**	**12,977**	**10,442**

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	123
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)	(587)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(661)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,248)
8.4	Cash and cash equivalents at quarter end (item 4.6)	12,977
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	12,977
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

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: 29 October 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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