30 July 2020

Quarterly Activity Report

The following is a summary of the activities conducted by VRX Silica Ltd (**VRX Silica** or **Company**) (ASX: VRX) during the quarter ending 30 June 2020.

Arrowsmith Silica Sand Projects

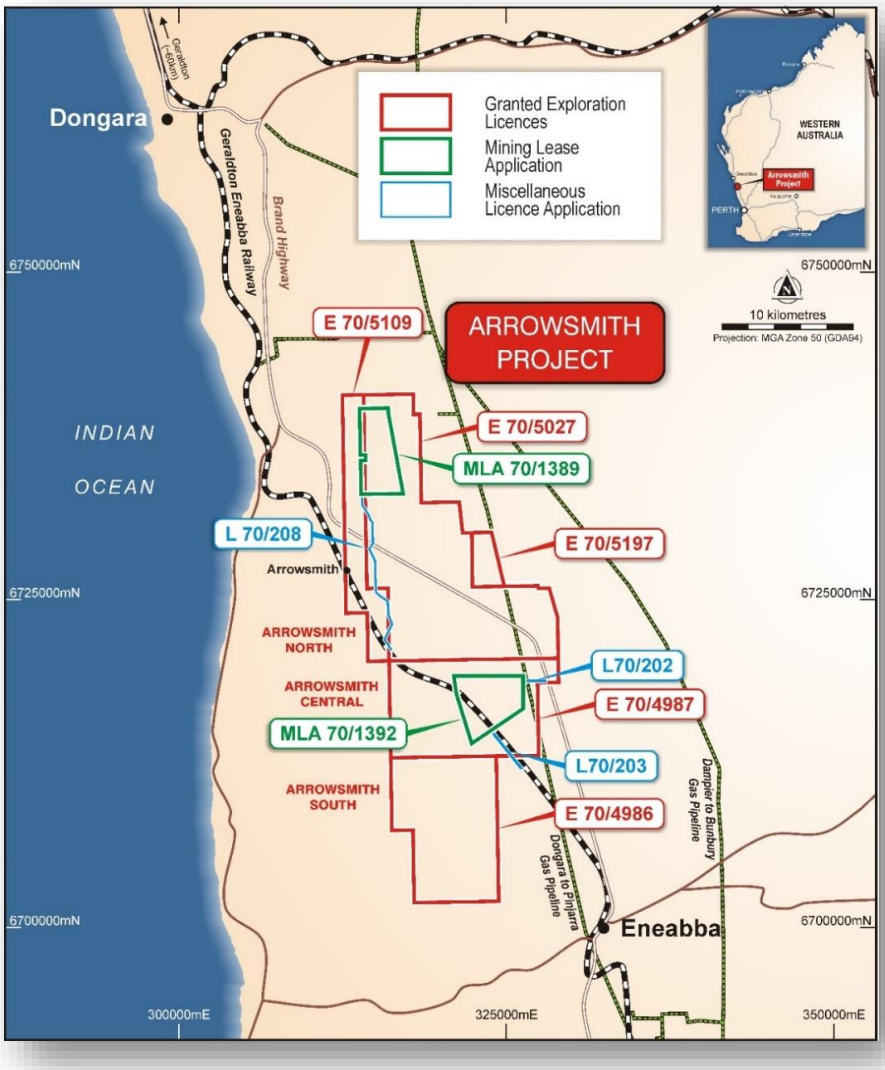

Figure 1: Arrowsmith Silica Sand Projects Location

ASX: VRX

Capital Structure

Shares on Issue:
445.1 million

Listed Options:
23.9 million
Unlisted Options:
69.5 million

Corporate Directory

Paul Boyatzis
Non-Executive Chairman

Bruce Maluish
Managing Director

Peter Pawlowitsch
Non-Executive Director

John Geary
Company Secretary

Company Projects

Arrowsmith Silica Sand Project, 270km north of Perth, WA.

Muchea Silica Sand Project, 50km north of Perth, WA.

Boyatup Silica Sand Project, 100km east of Esperance, WA.

Biranup base metals and gold Project adjacent to the Tropicana Gold Mine, WA.

The Company is actively assessing other silica sand projects in Australia.

The Company's Arrowsmith North and Arrowsmith Central Silica Sand Projects (**Arrowsmith Projects**) are located 270km north of Perth, WA (see Figure 1).

During the quarter the Company progressed negotiations with the Southern Yamatji Native Title claimants and their representative, the Yamatji Marlpa Aboriginal Corporation (**YMAC**), in respect of a proposed mining project agreement for the Arrowsmith Projects and consent for the grant of the Mining Leases and Miscellaneous Licences for the projects. Delays caused by the COVID-19 crisis, particularly regulations prohibiting movement in and out of Aboriginal communities and restrictions on public gatherings hampered progress and presented unique challenges for completing the process in the June quarter as originally planned. However, the Company continued to work constructively with YMAC and the Southern Yamatji Working Group to find a pathway forward to reach agreement and clear the path to grant of the Mining Leases for the Arrowsmith Projects.

Separately, in respect of permitting for the Arrowsmith Projects, during the quarter all field work required to support the environmental referrals for assessment by Department of Agriculture, Water and the Environment (**DAWE**) (previously DotEE) was completed and the formal referral for Arrowsmith North prepared.

The Company understood that the assessment process with DAWE would not be materially affected by the COVID-19 crisis, however the unpredictable nature of the pandemic proved this to be optimistic. The Company now expects this procedure for Arrowsmith North will complete and referral to the State EPA will be in the September quarter, to be followed by Arrowsmith Central.

The Company has continued discussions with potential customers in Asia for long-term contracts for offtake of products from both its Arrowsmith and Muchea Projects, primarily in Malaysia, Thailand, Taiwan, Japan and South Korea. The outbreak of COVID-19 ceased all possible face to face meetings with potential customers, however the Company has progressed discussions via video conferencing and interest remains very strong despite the current economic climate in those countries.

Muchea Silica Sand Project

The Muchea Project is located 50km north of Perth (see Figure 2).

As reported in the March quarter, the Company through its wholly-owned subsidiary, Wisecat Pty Ltd, entered into a Native Title Mining Project Agreement for the Muchea Silica Sand Project (**Muchea Project**) on 31 January 2020 and the signing of this agreement cleared the path for grant of the Mining Lease and the Miscellaneous Licences for the Muchea Project.

The parties then commenced the formal process with the National Native Title Tribunal required under this agreement to obtain consent orders for the grant of the Mining Lease M70/1390. During the quarter, on 23 April 2020 the Tribunal made a determination "… that the act, being the grant of the M70/1390 to Wisecat Pty Ltd may be done" and this was forwarded to the Minister for Mines for the grant of the Mining Lease. The Company has requested confirmation from the Minister in regards to timing of grant of the Mining Lease, and awaits the response.

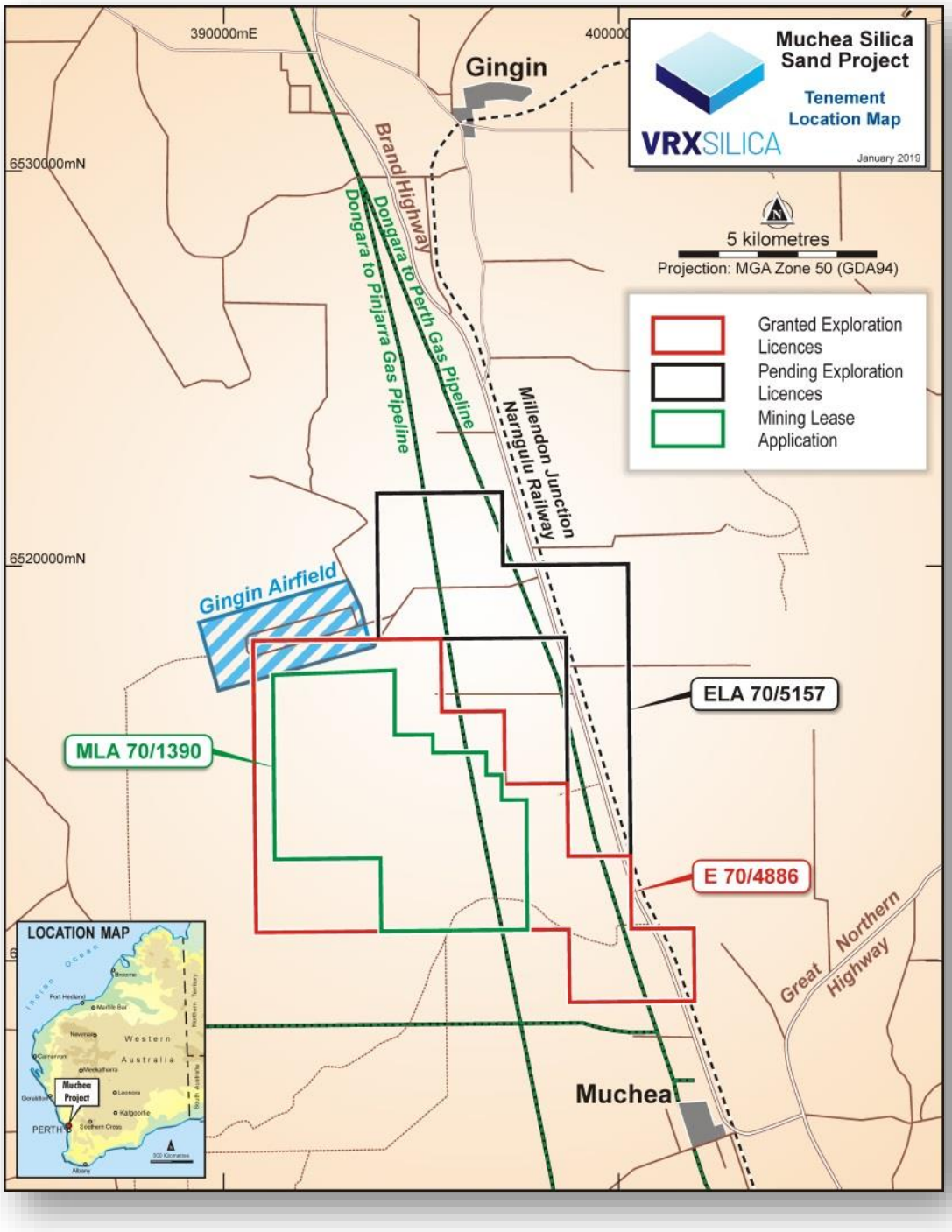

Figure 2: Muchea Silica Sand Project Location

EVENTS SUBSEQUENT TO THE QUARTER

Biranup Project

VRX Silica has a stated aim of becoming a global supplier of high-quality silica sand and, in keeping with this aim, the Company is disposing of non-core assets. On 1 July 2020 VRX Silica announced it had entered into a conditional agreement with New Energy Metals Limited (**NEM**) for the sale of its wholly-owned subsidiary and holder of the Biranup base metals and gold project (**Biranup Project**), Ventnor Gold Pty Ltd (**VGPL**).

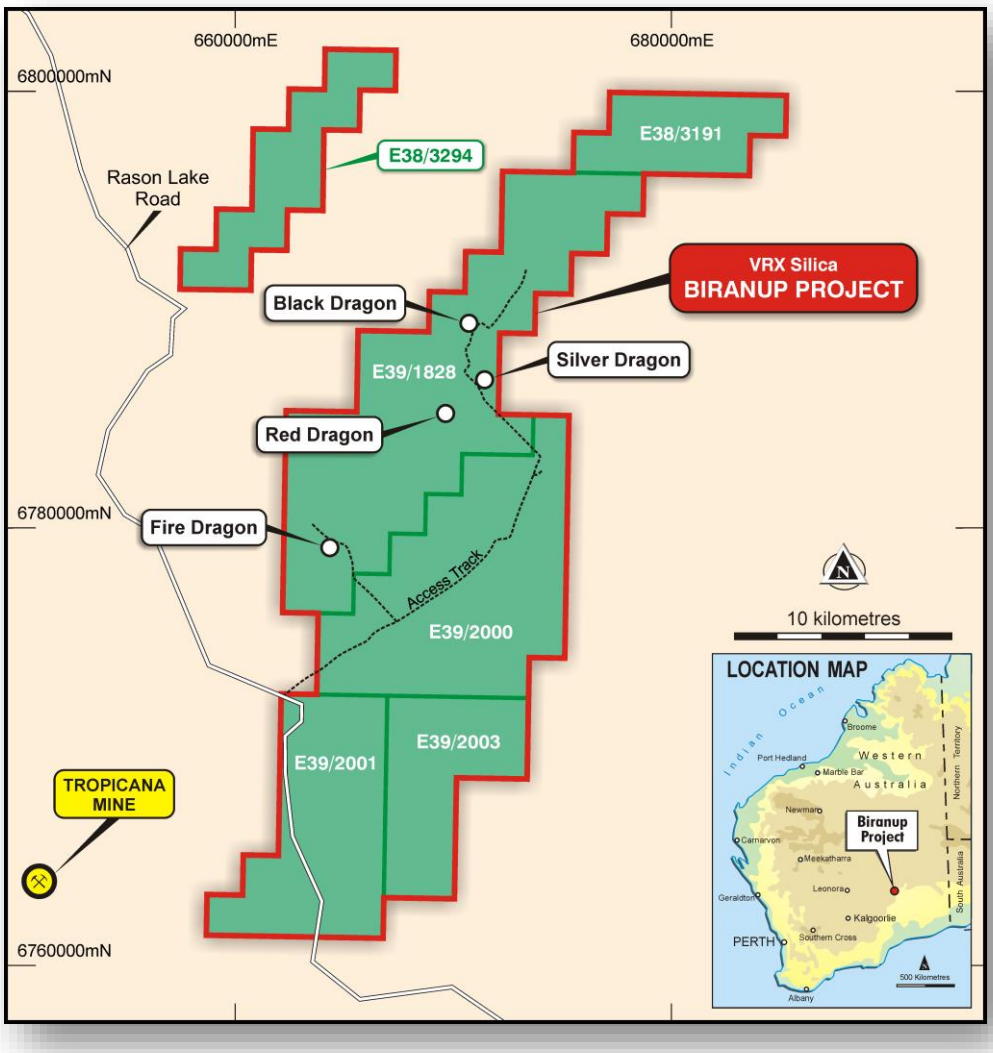

Figure 3: Biranup Project Location

NEM is an unlisted public company planning an Initial Public Offering (**IPO**) and ASX listing later this year. NEM has indicated that it will prioritise applications in the IPO from VRX Silica shareholders. The terms for the sale of the Biranup Project will enable VRX Silica to share in any future exploration success which is an ideal outcome for VRX Silica and its shareholders.

The Biranup Project is situated in the highly prospective Albany -Fraser Orogen in Western Australia, which hosts IGO's Nova nickel mine, the world class ~10Moz Tropicana Gold Deposit and is currently the subject of a much anticipated drilling program being conducted by Legend Mining.

NEM will acquire the Biranup Project through the purchase of 100% of the issued share capital of VGPL. The consideration for the sale will be as follows:

- 6,250,000 fully paid ordinary shares in NEM at a deemed issue price of 20c, to be issued at completion; and
- cash milestone payments of:
  - $200,000 upon delineation of a JORC compliant inferred resource of no less than 7.5mt at a grade of 2% nickel and 0.5% copper on the land comprising the tenements;
  - $200,000 at the completion of a feasibility study with respect to the Biranup Project demonstrating an ability to operate it as a commercially viable enterprise, and
  - $500,000 at the first commercial extraction of any minerals, mineral products, ore or concentrates, in whatever form, from the Biranup Project.

Completion is subject to and conditional upon the following:

- completion of due diligence investigations by NEM into VGPL and the Biranup Project to its satisfaction;
- NEM conducting the IPO, including raising necessary capital and receiving ASX conditional approval for listing of its securities on ASX; and
- the parties obtaining all necessary board, shareholder, third party and regulatory approvals and consents required to complete the sale.The agreement is otherwise on terms customary for a transaction of this nature, including as to pre-completion undertakings, warranties and representations, liability limitation and confidentiality.

Arrowsmith Silica Sand Projects Native Title Agreement Terms Approved

On 15 July 2020, VRX Silica announced it had received confirmation that the terms of its proposed Mining Project Agreement (**Agreement**) covering the areas of the Arrowsmith North and Arrowsmith Central Silica Sand Projects have been approved by the Southern Yamatji Working Group.

With the terms of the Agreement having been accepted, the Agreement must now be formally signed by all 12 individual Native Title Applicants along with a separate State Deed between those individuals, the Company and the State. Once fully executed, these documents will be lodged with the Department of Mines, Industry Regulation and Safety (**DMIRS**) to finalise the grant of Mining Leases and associated Miscellaneous Licenses for Arrowsmith North and Arrowsmith Central.

The negotiated terms provide for a set of shared long-term objectives for the parties and a range of measures designed to achieve those objectives over the term of the Agreement (being the life of the Arrowsmith projects). These include:

- the preservation and management of Aboriginal heritage within the areas of the mining leases pursuant to an agreed heritage protocol;
- the promotion of awareness of the Southern Yamatji People's traditional laws and customs and facilitation of cross-cultural exchange between the members of the Southern Yamatji People and VRX and its employees and contractors;
- ensuring the environmental impact of agreed mining operations is managed in accordance with relevant statutory obligations;
- maximising employment and contracting opportunities for Southern Yamatji People contractors in connection with agreed mining operations; and
- the provision of agreed initial and ongoing compensation to the Southern Yamatji People for the effects on native title arising from the grant of the mining leases and miscellaneous licences within the native title claim area, the conduct of mining operations and the issue of agreed project approvals.

Corporate

There was no corporate activity during the quarter.

Specific disclosure required under GN23

Details of mining exploration activities

Details of exploration activities are set out above.

The $47,000 expensed for exploration and evaluation expenditure was mainly tenement rents. The $187,000 amount of exploration and evaluation expenditure capitalised is comprised of environmental approvals (including flora and fauna assessments, drainage and dieback studies) ($127,000), heritage surveys and native title approvals ($29,000), metallurgical test work and engineering designs ($20,000) with the balance being sample assays and storage.

Details of mining production and development activities

No production and development activities were undertaken during the quarter.

Details of tenement activities

The tenement schedule on the following page shows all holdings and any change for the Company and its subsidiaries. The only change during the quarter was the grant of Miscellaneous Lease L70/200 at the Muchea Project to Search for Water.

Details of related party payments

The aggregate amount of payments to related parties and their associates of $93,000 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%
M/1389	Application	-	-	-	-
M/1392	Application	-	-	-	-
L70/198	Granted	100%	-	-	100%
L70/199	Granted	100%	-	-	100%
L70/202	Application	-	-	-	-
L70/203	Application	-	-	-	-
L70/208	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%
M/1390	Application	-	-	-	-
L70/200	Granted	-	-	100%	100%
L70/204	Application	-	-	-	-
L70/205	Application	-	-	-	-
L70/206	Application	-	-	-	-

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%

About VRX Silica

VRX Silica Ltd (**VRX Silica**) (ASX: VRX) has significant silica sand projects in Western Australia.

The Arrowsmith North and Arrowsmith Central Silica Sand Projects, located 270km north of Perth, comprise five granted exploration licences and two mining lease applications pending. Bankable feasibility studies for both projects have been released, each demonstrating exceptional financial metrics.

The Muchea Silica Sand Project, located 50km north of Perth, comprises two granted exploration licences, with one mining lease application pending. Muchea is a world-class project with high purity silica sand in situ. A bankable feasibility study for the project has been released demonstrating outstanding financial metrics.

The Boyatup Silica Sand Project, located 100km east of Esperance, comprises two adjacent granted exploration licences. Initial indications are that this project will complement the Arrowsmith and Muchea projects while adding to the range of silica products capable of production.

The Biranup Project, adjacent to the Tropicana Gold Mine in WA's Goldfields, is prospective for gold and base metals.

Proven Management

The VRX Silica Board and management team have extensive experience in mineral exploration and mine development into production and in the management of publicly listed mining and exploration companies.

Project Locations

