22 April 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 31 March 2020.

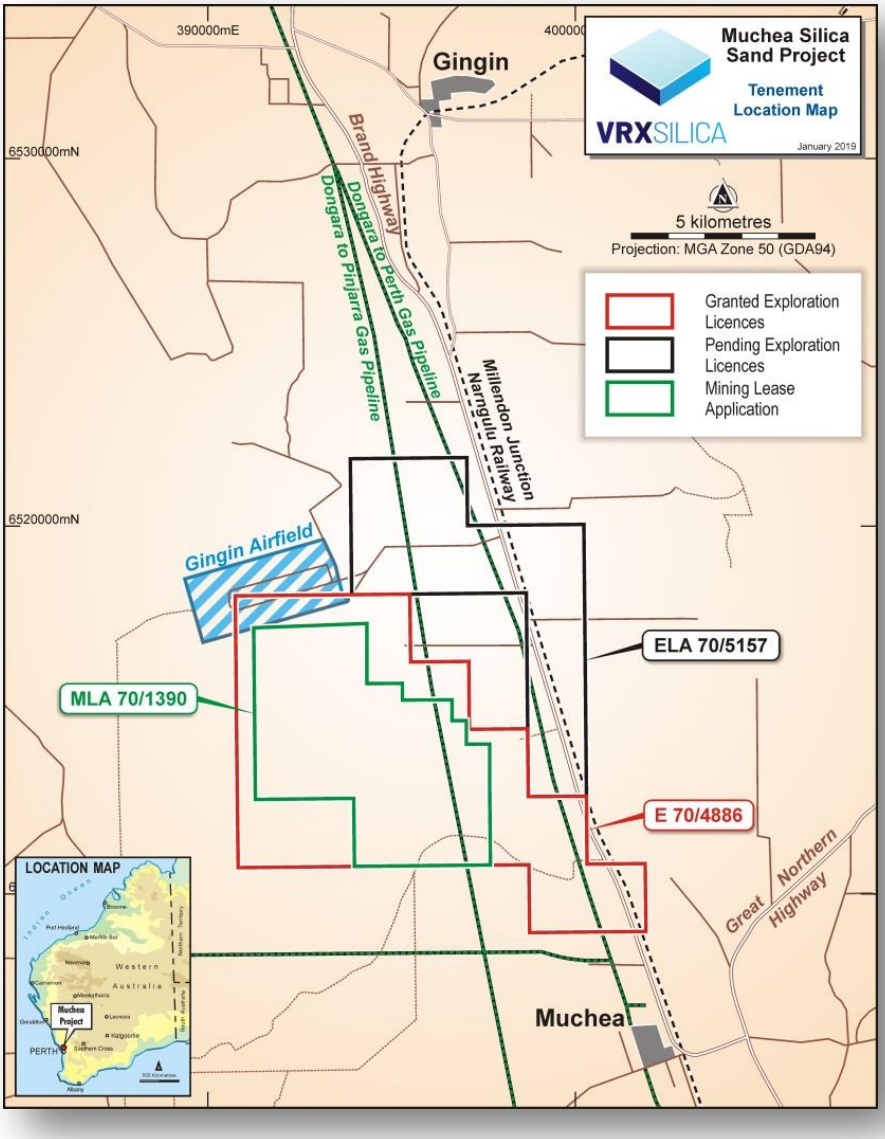

Figure 1:Muchea Project Location

Muchea Silica Sand Project

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.

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During the 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**). This was announced to ASX on 31 January 2020.

The Muchea Project is located 50km north of Perth (see Figure 1).

The agreement was entered into with the Whadjuk People Native Title Claim Applicants under Application WAD242/2011 (as the authorised representatives of the Whadjuk People Native Title Claim Group) and the South West Aboriginal Land & Sea Council Aboriginal Corporation (**SWALSC**) in its capacity as agent for the Whadjuk People. It represents a significant milestone in the development of the Muchea Project and was the result of negotiations conducted in good faith with the Whadjuk People and SWALSC.

Under the terms of the agreement, the Whadjuk People give their consent to the grant of the Mining Lease and the Miscellaneous Licences for the Muchea Project within the Native Title claim area and the conduct of silica sand mining operations at the Muchea Project. The agreement also provides 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 Muchea Project). These include:

- the preservation and management of Aboriginal heritage within the Mining Lease area wherever possible pursuant to an agreed Heritage Protocol;
- the promotion of awareness of the Whadjuk People's traditional laws and customs and facilitation of cross-cultural exchange between the members of the Whadjuk People and the tenement holder 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 Whadjuk People contractors in connection with agreed mining operations; and
- the provision of agreed initial and ongoing compensation to the Whadjuk People for the effects on Native Title arising from the grant of the Mining Lease and Miscellaneous Licences within the Native Title claim area, the conduct of mining operations and the issue of agreed project approvals.

In addition, the agreement contains provisions that are customary for an agreement of this nature, including as to confidentiality, warranties, force majeure and dispute resolution procedures.

Signing of this agreement has cleared the path for grant of the Mining Lease and the Miscellaneous Licences for the Muchea Project. The parties have commenced the formal process with the National Native Title Tribunal required under this agreement to obtain the approval of the Minister for Mines for the grant of the Mining Lease. Despite delays caused by the COVID-19 crisis, the Company expects consent orders to be issued by the Tribunal and the Mining Lease to be granted in the June quarter.

In parallel, as part of the environmental approvals process for the grant of a Mining Permit at the Muchea Project, during the quarter the Company has continued to compile necessary data to support referrals to the Federal Department of Environment and Energy (**DotEE**) and the State Environmental Protection Authority (**EPA**). The Company and its environmental consultants held pre-referral meetings with representatives from DotEE and received valuable feedback as to requirements for the referral.

Arrowsmith Silica Sand Projects

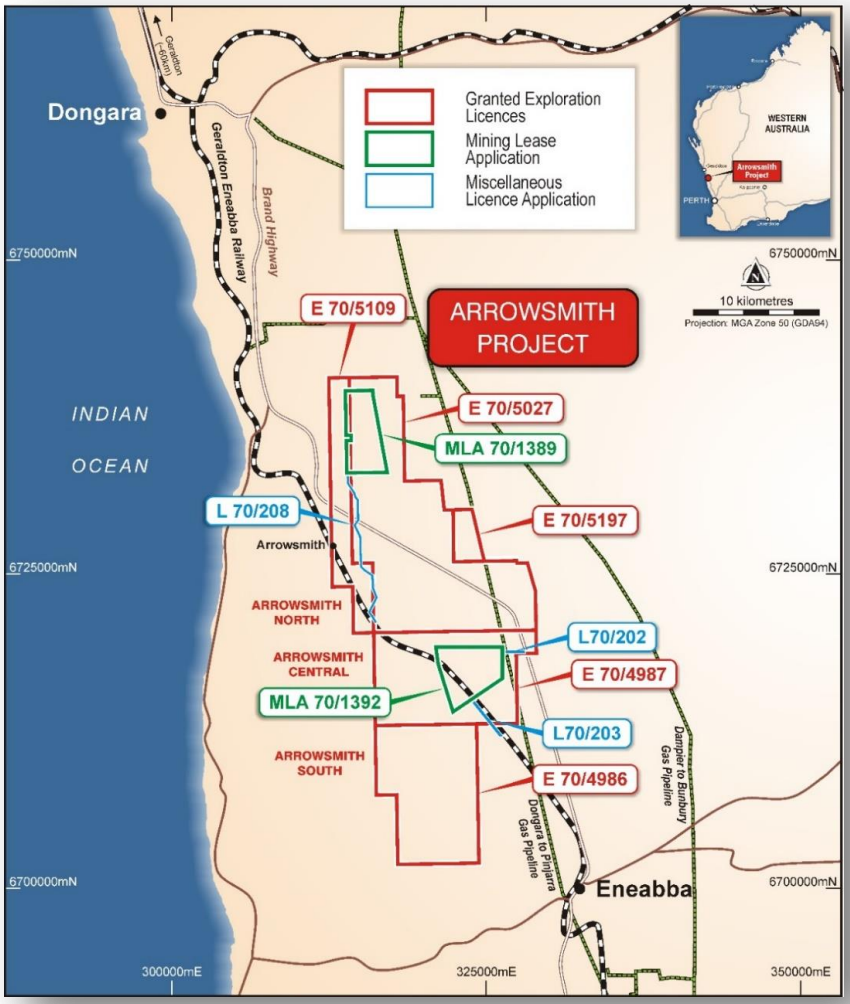

Figure 2:Arrowsmith Projects Location

The Company's Arrowsmith North and Arrowsmith Central Silica Sand Projects (**Arrowsmith Projects**) are located 270km north of Perth, WA (see Figure 2).

During the quarter the Company has 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, however the Company continues to work constructively with YMAC and the Southern Yamatji working party to find a pathway forward to finalise and sign the formal agreement. The Company expects this process to conclude in the June quarter, which will 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 DotEE was completed and the formal referral for Arrowsmith North is imminent. The Company understands that the assessment process with DotEE will not be materially affected by the COVID-19 crisis, and the Company expects that this procedure for Arrowsmith North will complete and referral to the State EPA will follow in the June quarter, to be followed by Arrowsmith Central.

During the quarter, 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. These customers are in Malaysia, Thailand, Taiwan and South Korea. A planned February road trip through Asia for this purpose was postponed due to the outbreak of COVID-19, however the Company has progressed discussions via video conferencing and interest remains strong despite the current economic climate in those countries.

Warrawanda Project

A review of assays conducted on cores from the diamond drilling program undertaken at the Warrawanda Project indicated that the previously identified quartz outcrops are not of an economic grade and of insufficient tonnage to warrant further exploration.

During the quarter the Company relinquished exploration licence E52/2372 and surrendered E52/3447. The Company no longer holds any tenements at the Warrawanda Project.

Corporate

On 29 January 2020, the Company held a general meeting of shareholders seeking Listing Rule 7.4 ratification of the issue of the shares to a range of sophisticated and institutional investors pursuant to its November 2019 placement which raised $4 million (before costs). The Company also sought and received Listing Rule 7.1 approval for the issue of free-attaching options under the placement and options to the lead manager for the placement. All resolutions were passed following the conduct of a poll.

The options were issued on 31 January 2020 and quoted on ASX from 4 February 2020 under code “VRXO”.

Specific disclosure required under GN23

Details of mining exploration activities

Details of exploration activities are set out above.

The $21,000 expensed for exploration and evaluation expenditure was mainly tenement rents. The $186,000 amount of exploration and evaluation expenditure capitalised is comprised of environmental approvals (including flora and fauna assessments, drainage and dieback studies) ($75,000), heritage surveys and native title approvals ($93,000), water well design ($9,000) 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 changes for the Company and its subsidiaries. The changes during the quarter were the grant of E70/5157 at the Muchea Project and changes at the Warrawanda Project detailed above.

Details of related party payments

The aggregate amount of payments to related parties and their associates of $101,857 represents directors' fees and salaries paid during the quarter. These are as follows:

Related Party	Salary and fees $	Superannuation $	Securities based payments $	Total $
Paul Boyatzis	15,000	-	-	15,000
Bruce Maluish	70,053	5,937	-	75,990
Peter Pawlowitsch	10,000	867	-	10,867

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	Application	-	-	-	-
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%

Warrawanda Project - Nickel

Tenement	Status	Interest at beginning of quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of quarter
E52/2372	Relinquished	100%	100%	-	-
E52/3447	Surrendered	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

