

29 April 2021

Quarterly Activities Report

The following is a summary of the activities conducted by VRX Silica Ltd (**VRX** or **Company**) (ASX: VRX) during the quarter ending 31 March 2021.

Arrowsmith North Silica Sand Project

Grade Control Drilling

During the March 2021 quarter VRX conducted a 130 hole grade control drill program at its Arrowsmith North Silica Sand Project (**Arrowsmith North**), located approximately 270km north of Perth, Western Australia.

The grade control area is wholly within the previously reported area of the Ore Reserve Statement (**ORS**) of 204 Mt @ 99.7% SiO₂ within Mining Lease M70/1389 and contains approximately 10.2Mt of Probable Ore Reserve. The grade control area is not expected to materially change the tonnage in the ORS or the BFS as reported¹ (see Figure 1).

Drilling was conducted over 10 days with assay results to follow in late May 2021. The close spaced drilling campaign is anticipated to upgrade the ORS in the area drilled to a Measured Resource and Proven Reserve and increase the geological knowledge and confirm the continuity and homogeneity that has been demonstrated by previous drilling. The Resource Estimated will be re-assessed following receipt of the assay results.

The material assumptions underpinning the production target and detailed in the BFS continue to apply and have not materially changed.

The drilling of tight spaced grade control holes at Arrowsmith North is another key pre-production activity being undertaken in preparation for the commencement of mining. The area being grade control drilled is where the Company plans to mine for the first 6-10 years.

The drilling will also generate a significant tonnage of additional raw material for VRX to conduct supplementary bulk metallurgical test work to confirm the design and operating parameters of the process plant and for approvals required by Mid West Ports for the shipping of silica sand under its environmental licence with the Department of Water and Environment Regulation.

Importantly, the drilling will also generate additional commercial sample for despatch to potential offtake partners as demand for VRX's silica sand continues to grow.

Sources of supply of quality silica sand throughout the Asian region are shrinking at a rapid rate, and this has led to tremendous interest for VRX's silica sand from potential customers who are acutely aware of the supply problem.

¹ ASX announcement of 28 August 2019, "Arrowsmith North BFS and Maiden Ore Reserve"

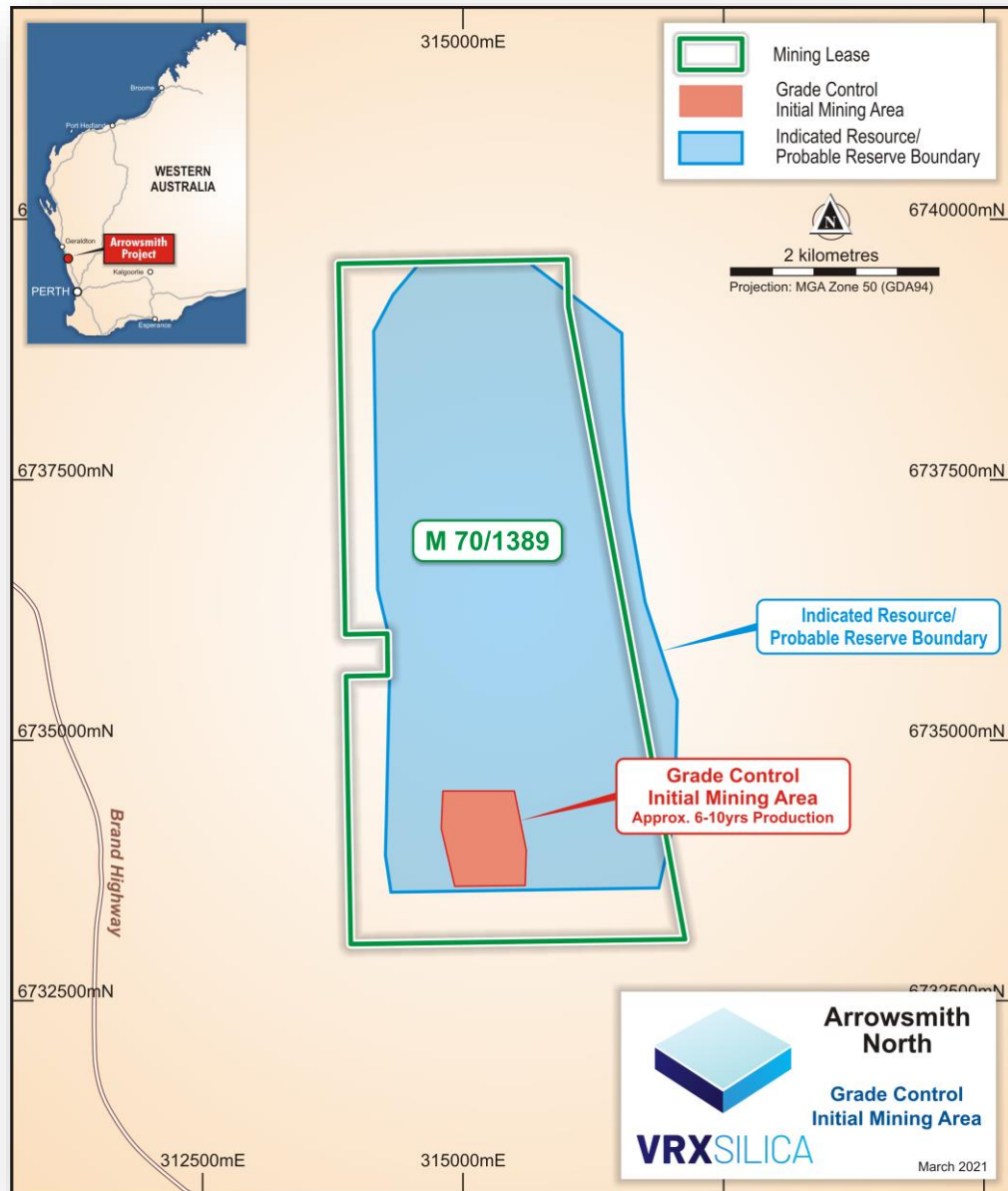


Figure 1: Mineral Resource Estimate within the grade control drilling area

Environmental approval referral

In March, VRX submitted its referral to the Department of Water and Environmental Regulation (**DWER**) for assessment by the Environmental Protection Authority (**EPA**), under Section 38 of the *Environmental Protection Act 1986*, for environmental approval for Arrowsmith North.

The referral was the culmination of wide-ranging environmental studies undertaken by and for the Company over the past three years and extensive pre-referral consultation with the EPA.

This is a significant milestone for the development of Arrowsmith North and the Company's goal to become a leading supplier of high-quality silica sand to the global market.

VRX has developed a unique and progressive mining and rehabilitation method specifically for Arrowsmith North and its other silica sand projects to minimise the environmental impact of the Company activities.



Figure 2: Arrowsmith Vegetation

VRX's Vegetation Direct Transfer (**VDT**) method lends itself to rapid and extensive regeneration of affected areas based on continuous rehabilitation as silica sand mining progresses.



Root structures in the loose sand at Arrowsmith North are relatively shallow at 200-300mm in depth. The VDT method removes a 400mm deep sod, with the topsoil containing the vast majority of native flora and invertebrate fauna preserved with near-surface humus and its microbial contents remaining intact.

A video of the Company's proposed VDT method is available for viewing at: <https://vrxsilica.com.au/miningandrehabilitationmethodology/>

VRX's referral, which incorporates pre-referral feedback received from the EPA in December 2020 to the Company's draft referral submitted in September 2020, concludes that Arrowsmith North can be developed without significant residual impacts on the environment given the implementation of mitigation measures, in particular the proposed mining and rehabilitation methodology.

VRX will use no chemicals and produce no dust while processing the mined silica sand, with efficient attritioning beneficiating the sand to glass-quality product for export.

The Company will recycle a substantial proportion of water used in processing, with preliminary engineering work targeting an up to 95% recycling rate and further investigations underway to recycle even more water. Water will be sourced from the deeper Yarragadee North aquifer.

All mining will be conducted well above the surficial water table.

The Arrowsmith North processing plant will ultimately be powered by a hybrid wind, solar and gas power system to minimise emissions.

The Company has already conducted Aboriginal heritage and ethnographic surveys with no significant sites recorded in the proposed mining area. Arrowsmith North will offer employment and contract opportunities to local Indigenous groups and VRX intends to support the local ranger program.

The EPA's environmental impact assessment is underway and the Company is in communication with the EPA to ensure all requirements are met.

Importantly, thorough planning will allow VRX to deliver its silica sand projects sustainably and efficiently, with a very low carbon footprint.

Offtake and other activities

During the quarter the Company continued discussions with potential offtake partners for the sale of silica sand product from Arrowsmith North. The Company continues to receive enquiries to purchase sand and demand remains strong. VRX is well-positioned to fill this demand and, as the Company develops its silica sand projects will remain focussed on delivering long term dependable offtake partnerships with significant industrial participants in the Asian market.

Discussions with potential debt financiers for Arrowsmith North and the Company's other silica sand projects continued through the quarter and interest remains high.

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The Company has instigated an Independent Technical Review by AMC Consultants to support the debt financing due diligence requirements.

The Company has also continued work on logistics planning and implementation for the project, including progressing final plant design and tenders for power supply, transport and shipping solutions.

Arrowsmith Central Silica Sand Project

During the March 2021 quarter VRX conducted additional environmental field surveys at its Arrowsmith Central Silica Sand Project (**Arrowsmith Central**), located approximately 250km north of Perth, Western Australia.

These surveys were conducted following feedback from the EPA in pre-referral meetings to secure environmental approvals for the development of the project. Referral to the Federal Department of Agriculture, Water and Environment (**DAWE**) will then be made to be followed by a formal referral to DWER to be assessed by EPA.

Logistics planning and implementation for Arrowsmith Central during the quarter closely followed work on Arrowsmith North.

Muchea Silica Sand Project

VRX continued progress on its Muchea Silica Sand Project (**Muchea**) during the quarter, with further studies and compilation of necessary data to support formal referrals to DAWE and DWER. As studies have been completed at Arrowsmith North following consultation with EPA, the same studies have been duplicated at both Arrowsmith Central and Muchea.

The Company also continued work on progressing an expansion of the current proposed development area to extend the Muchea Project's mine life to well beyond 25 years and assessment of available options to do so while addressing concerns relating to the file notation area 12671 that sits adjacent to that area.

The low vegetation at Muchea which includes the recalcitrant sedges and grasses have root systems which are 200-300 mm below the surface will be addressed by the same rehabilitation method (VDT) which has been developed at the Arrowsmith Projects.

The larger widely spaced *Banksia* trees will be propagated and tube planted to ensure the same density of trees.



Figure 3: Muchea Vegetation

Corporate

During the March quarter the Company issued a total of 2,624,264 new fully paid ordinary shares on conversion of options at various exercise prices, raising approximately \$332,117 in additional funds.

A further 3,250,000 new shares were issued subsequent to the end of the quarter, raising a further \$325,000.

Guidance Note 23 disclosures

Details of mining exploration activities

Details of exploration activities are set out above.

The \$28,000 payment for exploration and evaluation expenditure under operating activities expensed during the quarter related mainly to tenement rents.

The \$363,000 amount of exploration and evaluation expenditure under investing activities and capitalised is comprised of Mining Project Agreement payment on granting of mining lease, Muchea-SWALSC (\$20,000), metallurgical test work (\$79,000), environmental approvals, including flora and fauna assessments and rehabilitation modelling (\$117,000), hydro drilling deposit (\$106,000) and heritage surveys (\$25,000).

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.

During the quarter, the following tenements were granted:

Miscellaneous Licence L70/204, and
Miscellaneous Licence L70/206.

Also, at E39/1828 in the Biranup Project the Company voluntarily surrendered 17 graticular blocks (retained 25 graticular blocks) on 15 March 2021.

Details of related party payments

The aggregate amount of payments to related parties and their associates of \$107,000 represents directors' fees and salaries paid during the quarter.

This report has been authorised for release to ASX by the Managing Director.

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	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	-	-	-	-



*The Biranup Project tenements are held in a 100% owned subsidiary Ventnor Gold Pty Ltd which is proposed to be vended in to a new IPO NickelX Ltd. See announcement 31 December 2020.

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Competent Persons' Statements

The information in this document that relates to Arrowsmith North Exploration Results is based on data collected and compiled under the supervision of Mr David Reid, who is a full-time employee of VRX Silica. Mr Reid, BSc (Geology), is a registered member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person under the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Reid consents to the inclusion of the data in the form and context in which it appears.

The information in this document that relates to Arrowsmith North Mineral Resources is based on information compiled by Mr Grant Louw who was a full-time employee of CSA Global, under the direction and supervision of Dr Andrew Scogings, who is an Associate of CSA Global. Dr Scogings is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. He is a Registered Professional Geologist in Industrial Minerals. Dr Scogings has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Dr Scogings consents to the disclosure of information in this report in the form and context in which it appears.

The information in this document that relates to Arrowsmith North Probable Ore Reserves is based on data collected and compiled under the supervision of Mr David Reid, who is a full-time employee of VRX Silica. Mr Reid, BSc (Geology), is a registered member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person under the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Reid consents to the inclusion of the data in the form and context in which it appears.