

VRX SILICA LIMITED
ABN 59 142 014 873

INTERIM FINANCIAL REPORT
FOR HALF-YEAR ENDED
31 DECEMBER 2020

CORPORATE DIRECTORY

DIRECTORS

Paul Boyatzis (Non-Executive Chairman)
Bruce Maluish (Managing Director)
Peter Pawlowitsch (Non-Executive Director)

SECRETARY

John Geary

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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AUSTRALIAN SECURITIES EXCHANGE

VRX Silica Limited shares (VRX) are listed on the
Australian Securities Exchange

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Paul Boyatzis (Non-Executive Chairman)
Bruce Maluish (Managing Director)
Peter Pawlowitsch (Non-Executive Director)

PRINCIPAL ACTIVITIES

The principal continuing activities during the half-year of entities within the consolidated entity was mineral exploration.

REVIEW OF OPERATIONS

The net loss for the half-year attributable to members of VRX Silica Limited was \$822,135 (2019: loss of \$1,379,165).

The following is a summary of the activities conducted by VRX Silica Ltd (**VRX** or **Company**) (ASX: VRX) during the half year ending 31 December 2020.

Arrowsmith Silica Sand Projects

Native Title Clearance

VRX holds the Arrowsmith North and Arrowsmith Central Silica Sand Projects (**Arrowsmith Projects**), which are located 270km north of Perth, Western Australia, in its wholly owned subsidiary Ventnor Mining Pty Ltd.

In October 2020, conclusive registration of the Yamatji Nation Indigenous Land Use Agreement (**ILUA**) occurred, which cleared the path for grant of the Company's Mining Lease and Miscellaneous Licence applications for its Arrowsmith Projects.

The ILUA is an alternative settlement by the West Australian Government of Native Title claims covering a significant portion of land in the Mid West, including the *Southern Yamatji People's claim covering* the Arrowsmith Projects.

This Government-led ILUA settled all Native Title claims over the Arrowsmith Projects area and *superseded the negotiations that* had been progressing in good faith *between VRX and the Southern Yamatji People* Native Title claimants over the Arrowsmith Projects. The strong and supportive relationships established with the Southern Yamatji People will continue to benefit all parties as the Arrowsmith Projects are developed, and the Company intends to continue to consult and work closely with the Southern Yamatji People.

Aboriginal Heritage Survey

In November 2020, VRX announced the results of an Aboriginal heritage survey at its Arrowsmith Projects.

The comprehensive archaeological and ethnographic survey was conducted during October in conjunction with Amangu representatives of the Yamatji Nation and Yamatji Marlpa Aboriginal Corporation (YMAC) personnel over proposed initial mining and critical infrastructure areas.

The survey found no isolated artifacts and no onerous heritage recommendations were made. Preliminary advice received by the Company from YMAC confirmed that the Arrowsmith North Access Road, Services Corridor and Production Area have been approved for the stated works to proceed for 10 years of production. The Arrowsmith Central Production Area and Arrowsmith Central Infrastructure Areas are cleared for five years of production. See Figure 1.

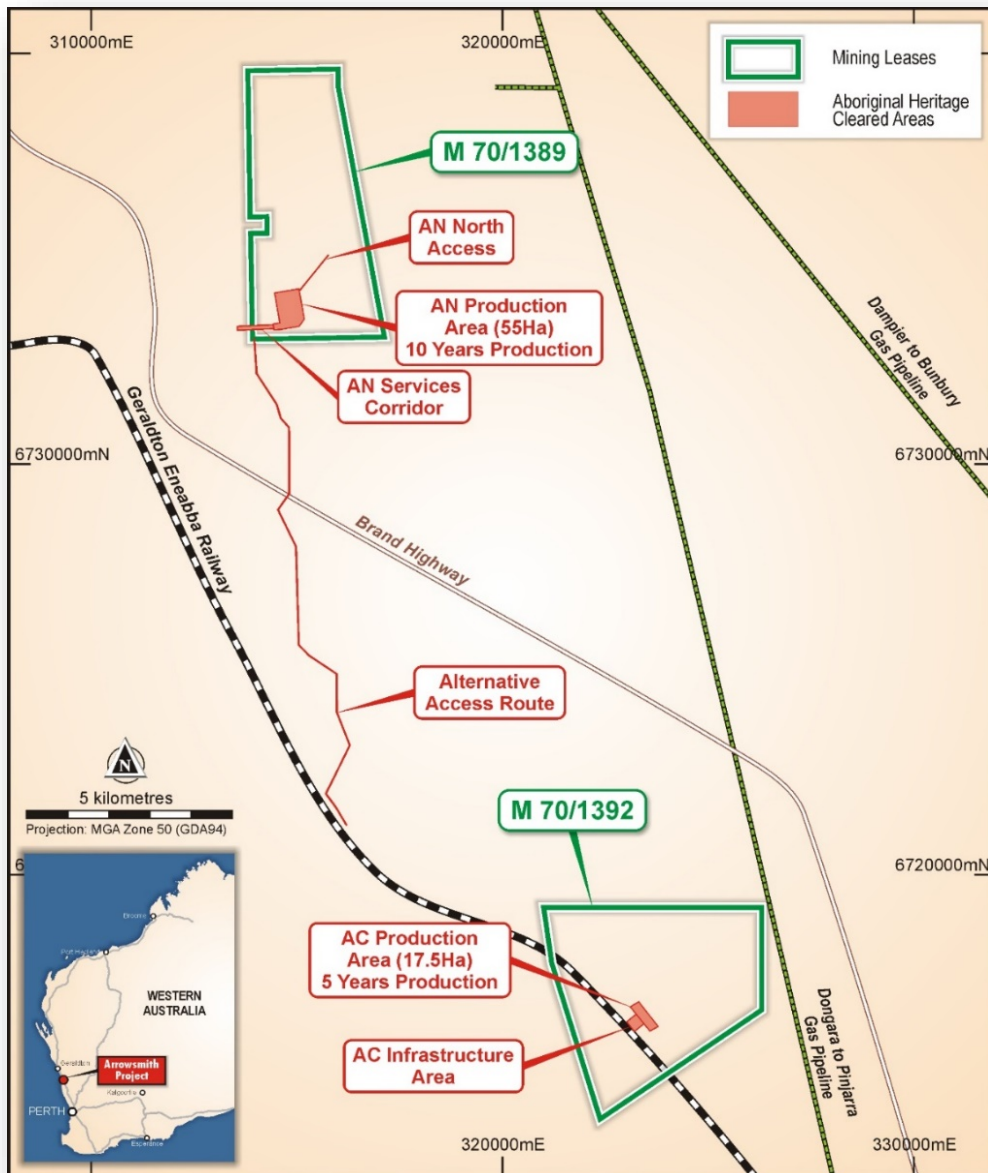


Figure 1: Critical infrastructure and mining areas surveyed at Arrowsmith Projects

Grant of Mining Leases

On 17 November 2020, VRX announced the grant of Mining Leases for its Arrowsmith Projects (see Figure 2). This, together with the Aboriginal heritage clearance for the proposed works on both projects, is an important step forward for their development. The combined Mining Lease areas cover over 3,600ha, sufficient for more than 100 years of production.

The grant of these Mining Leases was another significant milestone for the Company and came shortly after the grant of the Mining Lease for VRX's Muchea Silica Sand Project (**Muchea Project**) (see below). It enables the Company to step up negotiations to finalise sales contracts for the high-quality silica sand products and secure the necessary funding for their development.

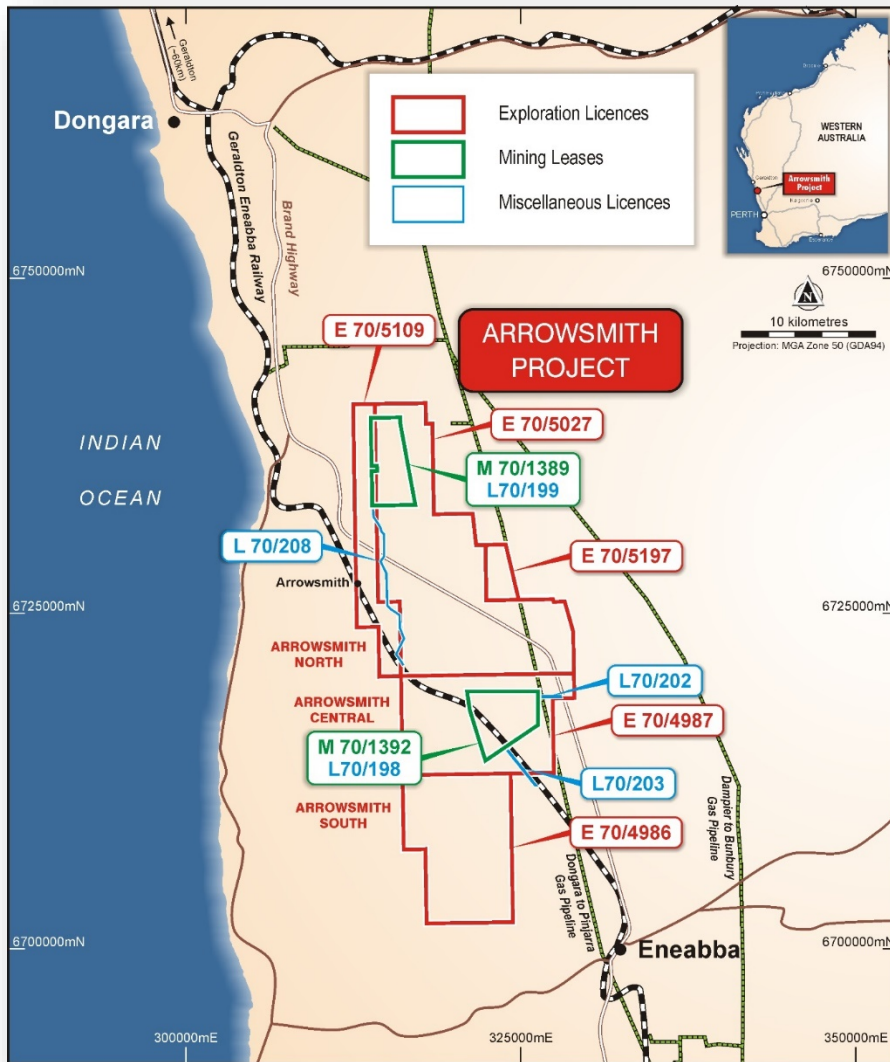


Figure 2: Arrowsmith Silica Sand Projects Location

Environmental Approval

As part of the environmental approvals process for the grant of a Mining Permit at the Arrowsmith Projects, the Company continued to compile the necessary data to support the Environmental Referral Document (**ERD**) referrals to the Federal Department of Agriculture, Water and Environment (**DAWE**) and the State Department of Water and Environmental Regulation (**DWER**). The Company and its environmental consultants held pre-referral meetings with representatives from DWER and received comments regarding further requirements for the referral. Pre-referral meetings with representatives from DAWE and the DWER provided valuable feedback regarding requirements for these referrals.

During the half-year period, VRX submitted a formal Environmental Review Document to DAWE for assessment under the Environmental Protection and Biodiversity Conservation Act 1999 (**EPBC Act**). DAWE responded with a determination that Arrowsmith North was a controlled action subject to assessment by DWER and approval under the EPBC Act before it can proceed.

In October 2020, VRX submitted a draft ERD to DWER with comments returned in November 2020 requiring further clarification in the formal ERD and follow-up work and consultation. VRX anticipates submitting its formal ERD to DWER in March 2021 as part of the process to secure environmental approvals for the development of Arrowsmith North.

Since the end of the review period, in February 2021 VRX received approval to conduct a trial rehabilitation program over 7,200m². VRX proposes to trial and video a front-end loader to establish the capability of removing and replacing sods of topsoil as proposed in our mining and rehabilitation methodology. The front-end loader will be equipped with a standard sand bucket, not the proposed modified bucket. The trial will be undertaken between late March and April 2021.

In parallel with the environmental approval process, the Company will seek approval for its Mining Proposal and the issue of a mining permit from the Department of Mines, Industry Regulation and Safety (**DMIRS**).

Muchea Silica Sand Project

On 29 October 2020, VRX announced the grant of a Mining Lease for its Muchea Silica Sand Project (**Muchea Project**), located 50km north of Perth, Western Australia. The Mining Lease (M70/1390), held in the Company's wholly owned subsidiary Wisecat Pty Ltd, covers approximately 1,008ha including the development area, sufficient for at least 25 years of production (see Figure 3).

The grant of the Mining Lease was a significant milestone for VRX and a major step forward in the Company's journey to becoming a global, long-life supplier of high-quality silica sand.

During the period, as for its Arrowsmith Projects, the Company progressed compilation of necessary data to support referrals to DAWE and the EPA with pre-referral meetings held with representatives from DAWE.

Demand from potential customers for long-term supply of silica sand from the Muchea Project is strong. As with the Arrowsmith Projects, the grant of the Mining Lease enables the Company to step up negotiations to finalise sales contracts for the high-quality silica sand products and secure the necessary funding for the project's development.

DIRECTORS' REPORT

The Muchea Project is a world-class, high-grade and low environmental impact silica sand project with outstanding economics and located in a Tier 1 jurisdiction. Its development will support a substantial export industry in Western Australia and provide significant financial and employment benefits in the north-eastern corridor of Perth.

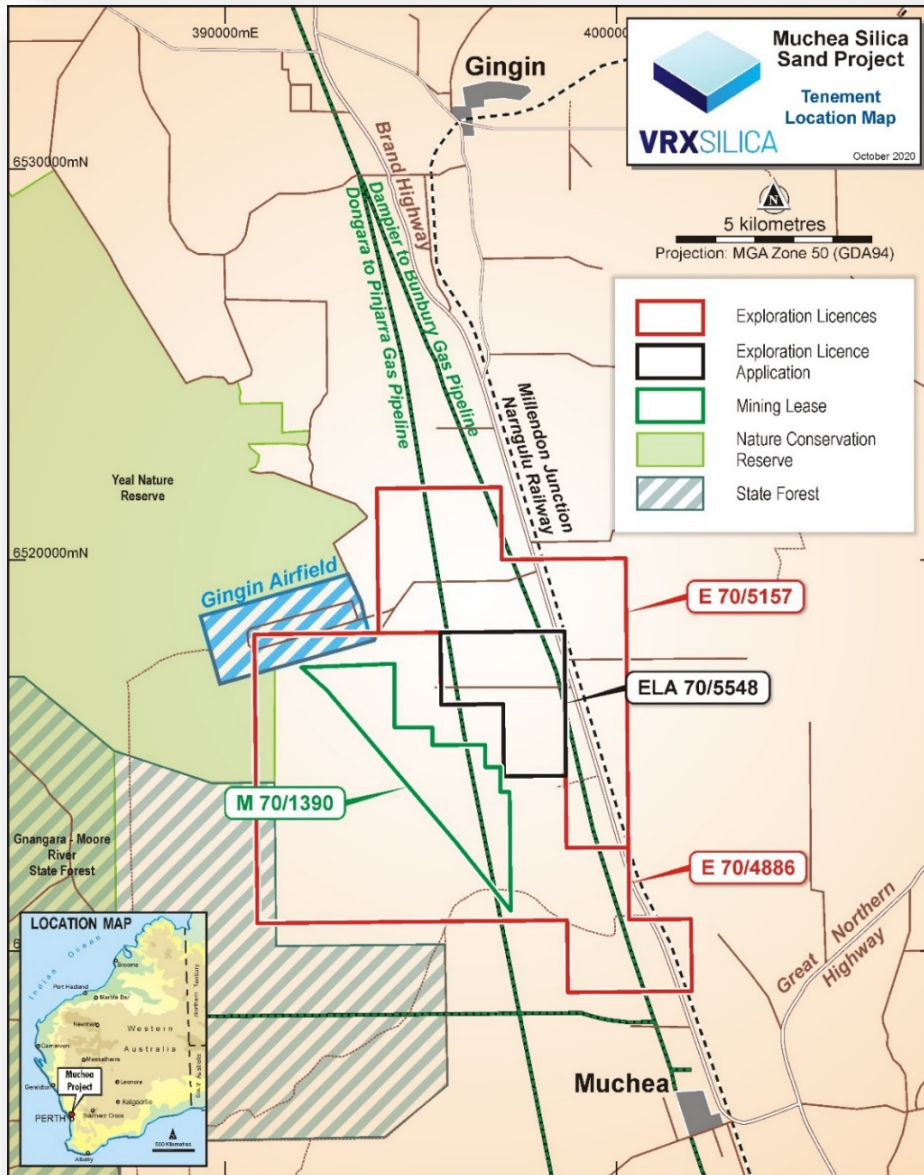


Figure 3: Muccha Silica Sand Project Location

Silica Sand Offtake

The Company has continued discussions with potential customers in Asia for long-term contracts for offtake of products from its Arrowsmith Projects and Muchea Project. These customers are in Malaysia, Thailand, Taiwan, Japan and South Korea.

The outbreak of COVID-19 in early 2020 caused the cessation of all possible face-to-face meetings with potential clients. However, the Company has progressed discussions via video conferencing and interest remains strong, despite the current challenging health and economic climate in those countries. More recently second and third-wave lockdowns in Japan and Korea have further postponed offtake discussions, with no possibility for VRX to conduct face-to-face meetings.

Despite the COVID-19 impediment, global market conditions continued to improve over the period. Sources of supply of high-quality silica sand throughout the Asian region are shrinking at a rapid rate and increasing the already strong demand for VRX's silica sand products, providing the Company with comfort its considered and disciplined approach to offtake deals will deliver significant value to shareholders.

Product samples have been shipped to potential offtake partners and grade-control drilling planned for March 2021 will generate additional commercial samples for interested parties. The majority of recipients have confirmed that the sand quality meets their specification requirements and underpins their desire to secure long-term supply.

The Company is well-positioned to benefit from the rapidly changing, and improving, market conditions and will continue negotiations to secure formal offtake agreements.

Project Economics

The Company's silica sand projects have outstanding economic prospects and will support a substantial export industry in Western Australia that can provide significant financial and employment benefits to the State.

With all three Mining Leases granted at the Arrowsmith Projects and the Muchea Project and development of the projects on-track, VRX is on the cusp of becoming a global player in high-quality silica sand supplies.

ARROWSMITH NORTH

Project Location

Arrowsmith North is located approximately 270km north of Perth between the regional towns of Eneabba and Dongara (see Figure 1 and Figure 2). The project sits proximate to Brand Highway and is connected to the Geraldton Port via the Eneabba-Geraldton Railway.

DIRECTORS' REPORT

Mineral Resource and Ore Reserve

The Mineral Resource Estimate (MRE) for Arrowsmith North comprises an **Indicated Mineral Resource** of **248 Mt @ 97.7% SiO₂** in addition to an **Inferred Mineral Resource** of **523 Mt @ 98.2% SiO₂** for a **Total MRE** of **771 Mt @ 98.0% SiO₂**¹ reported in accordance with the JORC Code² (Table 1).

Classification	Domain	Million Tonnes	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	TiO ₂ %	LOI%
Indicated	White Sand	33	98.7	0.50	0.20	0.20	0.20
	Yellow Sand	215	97.5	1.10	0.40	0.20	0.50
	All Sand	248	97.7	1.00	0.40	0.20	0.50
Inferred	White Sand	280	98.7	0.50	0.10	0.20	0.20
	Yellow Sand	243	97.7	1.00	0.40	0.20	0.50
	All Sand	523	98.2	0.80	0.30	0.20	0.40
Indicated + Inferred	White Sand	313	98.7	0.54	0.15	0.18	0.24
	Yellow Sand	458	97.6	1.08	0.40	0.17	0.52
	All Sand	771	98.0	0.86	0.30	0.17	0.41

**Note: Interpreted silica sand mineralisation is domained above a basal surface wireframe defined based on drill logging data. The upper (Topsoil) layer within 0.5 m of surface is depleted from the modelled silica sand unit, being reserved for rehabilitation purposes. All classified silica sand blocks in the model are reported. Differences may occur due to rounding.*

Table 1: Arrowsmith North Mineral Resource Estimate

The Company completed the necessary work to convert the Indicated Mineral Resource to a Probable Ore Reserve³. Table 2 details the Probable Ore Reserve reported in accordance with the JORC Code that will be produced from mining of the Indicated Mineral Resource and processing in a purpose-built, wet-sand processing plant.

Chemical Composition			Global	Within M70/1389					
Classification	Product	Recovery	Million Tonnes	Million Tonnes	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	TiO ₂ %	LOI%
Probable	Arrowsmith-N20	24%	60	54	99.7	0.2	0.05	0.035	0.1
	Arrowsmith-N40/NF500	60%	149	136	99.7	0.2	0.05	0.035	0.1
	Local Market	6%	15	14					
Total Reserve			223	204					

Table 2: Arrowsmith North Probable Ore Reserve

Production Target

The Company set out in the Arrowsmith North bankable feasibility study (BFS) a production target of **47.7Mt** from the first 25 years of mine life at Arrowsmith North, reported in accordance with the JORC Code and sourced from the Probable Ore Reserve of **204Mt @ 99.7% SiO₂** within the Mining Lease (M70/1389) area.

Full details are set out in the Arrowsmith North BFS⁴.

¹ ASX announcement of 9 July 2019, "Arrowsmith North Mineral Resource Estimate Upgrade"

² Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code).

³ ASX Announcement of 28 August 2019, "Arrowsmith North BFS and Maiden Ore Reserve"

⁴ ASX Announcement of 28 August 2019, "Arrowsmith North BFS and Maiden Ore Reserve"

DIRECTORS' REPORT

Silica Sand Products

Based on metallurgical test work completed to date, the silica sand at Arrowsmith North is readily amenable to upgrading by conventional washing and screening methods to produce a high-purity silica sand product with high-mass recoveries. The high-purity silica sand product specifications are expected to be suitable for industries such as glass making and foundry sand. The plant will produce four saleable products for different markets. Table 3 shows the particle-size distribution of the products.

Particle Size	Sieve Opening (Mesh/ μm Retained)									
	Product	10 / 2mm	20 / 850	30 / 600	40 / 425	50 / 300	70 / 212	100 / 150	140 / 106	200 / 75
Arrowsmith-N20	0.10%	3%	87%	8%	1%	0.10%	-	-	-	21
Arrowsmith-N40	-	0%	21%	36%	24%	13%	5%	1%	0%	36
Arrowsmith-NF500	-	-	0.50%	40%	42%	17%	1%	0%	-	38
Local Market	-	-	-	-	-	-	64%	22%	14%	-

Table 3: Arrowsmith North saleable products, particle size distribution

ARROWSMITH CENTRAL

Project Location

Arrowsmith Central is located approximately 270km north of Perth between the regional towns of Eneabba and Dongara (see Figure 1 and Figure 2). The project sits proximate to Brand Highway and is connected to the Geraldton Port via the Eneabba-Geraldton Railway.

Mineral Resource and Ore Reserve

The Mineral Resource Estimate (MRE) for Arrowsmith Central comprises an **Indicated Mineral Resource** of **28.2 Mt @ 96.6% SiO₂** in addition to an **Inferred Mineral Resource** of **48.3 Mt @ 96.9% SiO₂**, for a **Total MRE** of **76.5 Mt @ 96.8% SiO₂**⁵ reported in accordance with the JORC Code (Table 4).

Classification	Million Tonnes	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	TiO ₂ %	LOI%
Indicated	28.2	96.6	1.7	0.4	0.2	0.7
Inferred	48.3	96.9	1.5	0.4	0.2	0.7
Indicated + Inferred	76.5	96.8	1.5	0.4	0.2	0.7

* Note: Interpreted silica sand mineralisation is domained above a basal surface wireframe defined based on drill sampling depths. A depletion zone, consisting of the upper 0.5 m, is reserved for rehabilitation purposes and is not estimated or reported. Differences may occur due to rounding.

Table 4: Arrowsmith Central Silica Sand Mineral Resource Estimate

The Company has completed the necessary work to convert the Indicated Mineral Resource to a Probable Ore Reserve. Table 5 below details the Probable Ore Reserve that will be produced from the mining of the Indicated Mineral Resource and processing in a purpose-built, wet-sand processing plant.

⁵ ASX announcement of 15 August 2019, "Arrowsmith Central Mineral Resource Estimate Upgrade".

DIRECTORS' REPORT

Chemical Composition			Global	Within M70/1392					
Classification	Product	Recovery	Million Tonnes	Million Tonnes	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	TiO ₂ %	LOI %
Probable	Arrowsmith-CF400	17%	4.2	4.1	99.6	0.25	0.04	0.03	0.1
	Arrowsmith-C20	34%	8.4	8.2					
	Arrowsmith-C50	17%	4.2	4.1					
	TiO ₂ Concentrate	9%	2.2	2.2					
Total Reserve			18.9	18.7					

Table 5: Arrowsmith Central Probable Ore Reserve

Production Target

The Company has set out in the Arrowsmith Central BFS a production target of 18.9 Mt @ 99.6% SiO₂ as reported in accordance with the JORC Code with 18.7 Mt @ 99.6% SiO₂ contained within the area of the Company's Mining Lease (M70/1392).

Full details are set out in the Arrowsmith Central BFS⁶.

Silica Sand Products

Based on metallurgical test work completed to date, the silica sand at Arrowsmith Central is readily amenable to upgrading by conventional washing and screening methods to produce a high-purity silica sand product with high-mass recoveries. The high-purity silica sand product specifications are expected to be suitable for industries such as glass making and foundry sand.

The plant will produce three saleable silica sand products for different markets. Table 6 shows the particle-size distribution of the products.

Particle Size	Sieve Opening (Mesh / µm Retained)									
	10 / 2mm	20 / 850	30 / 600	40 / 425	50 / 300	70 / 212	100 / 150	140 / 106	200 / 75	AFS No
Arrowsmith-CF400	-	0%	0.5%	44%	38.9%	16.1%	0.5%	-	-	37
Arrowsmith-C20	6.2%	22.2%	30.4%	37.9%	2.9%	0.3%	0.1%	-	-	22
Arrowsmith-C50	-	-	0.3%	31.9%	27.5%	17.3%	13.7%	8.2%	1.1%	49

Table 6: Arrowsmith Central Silica Sand Probable Ore Reserve

In addition to these products, the plant will produce a by-product that contains a concentration of titanium minerals such as rutile and ilmenite, which can be sold at a nominal value to a company with specialist equipment for separating mineral concentrate (see Table 5 for summary of TiO₂ concentrate).

⁶ ASX Announcement of 17 September 2019, "Arrowsmith Central BFS and Maiden Ore Reserve"

DIRECTORS' REPORT

MUCHEA

Project Location

The Muchea Project is located 50km north of Perth between the regional towns of Muchea and Gingin (see Figure 3) and sits adjacent to Brand Highway and the Moora–Kwinana Railway, with a rail connection direct to the multi-user Kwinana Bulk Terminal.

Mineral Resource and Ore Reserve

The Mineral Resource Estimate (**MRE**) for the Muchea Project comprises **208Mt @ 99.6% SiO₂**⁷ reported in accordance with the JORC Code⁸ (Table 7).

The MRE is based on the results obtained from 44 hand auger drill holes for 260.7m and 103 air core (**AC**) drill holes for 1,401m used to define the modelled silica sand layer.

Classification	Million Tonnes	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	LOI%	TiO ₂ %
Indicated	29	99.6	0.09	0.03	0.22	0.07
Inferred	179	99.6	0.05	0.02	0.23	0.1
Indicated + Inferred	208	99.6	0.06	0.02	0.23	0.1

**Note: Interpreted silica sand mineralisation is domained above a basal surface wireframe. The upper (overburden) layer within 0.5 m of surface is depleted from the modelled silica sand unit, being reserved for rehabilitation purposes. All classified silica sand blocks in the model are reported. Differences may occur due to rounding.*

Table 7: Muchea Mineral Resource Estimate

The Company has completed the necessary work to convert the Indicated Mineral Resource to Probable Ore Reserve⁹. Table 8 details the Probable Ore Reserve reported in accordance with the JORC Code that will be produced from mining of the Indicated Mineral Resource and processing in a purpose-built, wet-sand processing plant.

Ore Reserve			Global	Within M70/1390	SiO ₂ %	Al ₂ O ₃ %	Fe ₂ O ₃ %	TiO ₂ %	LOI%
Classification	Product	Recovery	Million Tonnes	Million Tonnes	%	%	%	%	%
Probable	Muchea-F80	48%	10.2	8.0	+99.9	0.02	0.008	0.030	0.1
	Muchea-F80C	20%	4.25	3.3	+99.9	0.02	0.008	0.030	0.1
	Muchea-F150	20%	4.25	3.3	99.8	0.07	0.015	0.035	0.1
Total Reserve			18.7	14.6					

Table 8: Muchea Silica Sand Probable Ore Reserve

Initial Production Target

The Company has set out in the BFS an initial production target of **48.3Mt** from the Muchea Project reported in accordance with the JORC Code, sourced from the Probable Ore Reserve of **14.6Mt @ 99.9% SiO₂** and a portion of the Inferred Mineral Resource of **61.4Mt @ 99.6% SiO₂** within the Mining Lease area.

⁷ ASX announcement of 17 June 2019, "Muchea Mineral Resource Estimate Upgrade".

⁸ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code).

⁹ ASX Announcement of 18 October 2019, "Muchea BFS and Maiden Ore Reserve"

DIRECTORS' REPORT

The maiden Probable Ore Reserve is estimated from the Indicated Mineral Resource only and constitutes approximately 30% of the estimated total production target (in terms of processed tonnes of silica sand) over a 25-year mine life. The Company intends to mine solely from the Probable Ore Reserve during the first nine to 10 years of mining operations.

The ore that forms the Inferred Mineral Resource is contiguous with the Indicated Mineral Resource and has been categorised as lower confidence because of wider-spaced drilling. There is negligible difference between the modelled sand in each category. VRX believes an additional 1,500m of drilling is required to upgrade the inferred resource category.

Notwithstanding this, there is a low level of geological confidence associated with inferred mineral resources and no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

Full details are set out in the BFS.¹⁰

Silica Sand Products

Based on metallurgical test work completed to date, the silica sand at Muchea is readily amenable to upgrading by conventional washing and screening methods to produce a high-purity silica sand product with high-mass recoveries. The high-purity silica sand product specifications are expected to be suitable for industries such as glass making and foundry sand.

The plant will produce three saleable products for different markets with a **Probable Ore Reserve** of **14.6Mt @ 99.9% SiO₂** reported in accordance with the JORC Code and contained within the area of the Mining Lease.

Table 9 shows the particle-size distribution of the products.

Particle Size	Sieve Opening (µm Retained)							
	850	600	425	300	212	150	106	75
Muchea-F80		0.5%	49%	50%	0.5%			
Muchea-F80C	9.0%	90.0%	1.0%					
Muchea-F150				0.5%	88%	11%	0.5%	

Table 9: Muchea saleable products, particle size distribution

Potential for Extension of Life of Mine

Mining Lease M70/1390 is a conversion of part of Exploration Licence E70/4886, which covers a portion of file notation area 12671 (**FNA**). The FNA ground within the Exploration Licence sits adjacent to the Mining Lease and outside of the current proposed development area and does not affect the BFS-modelled 25-year production life.

VRX intends to seek access to this ground to extend the Muchea Project's mine life to well beyond 25 years. To that end, the Company will continue to assess available options while addressing concerns relating to the FNA.

¹⁰ ASX Announcement of 18 October 2019, "Muchea BFS and Maiden Ore Reserve"

DIRECTORS' REPORT

Key outcomes from Muchea Project BFS

The Muchea Project has outstanding economic prospects. Key outcomes from the BFS¹¹ and summary financial model outputs are set out below.

	Muchea (including Inferred)	Muchea (Reserve only)
Post Tax, ungeared NPV ₁₀	\$337,900,000	\$180,500,000
Post Tax, ungeared NPV ₂₀	\$146,400,000	\$104,600,000
Post Tax, ungeared IRR	96%	96%
Payback period (yrs) (post tax) (ramp up rate)	2.3	2.3
Exchange Rate US\$/A\$	\$0.70	\$0.70
Life of Mine (yrs) (Scope of BFS Study)	25	15
Total Sales (initial 25 years) no escalation	\$3,345,000,000	\$1,011,000,000
EBIT	\$1,540,000,000	\$447,000,000
Cashflow after finance and tax	\$1,123,000,000	\$321,000,000
Shares on Issue	404,318,617	404,318,617
EPS after tax (per year)	\$0.11	\$0.09
Capex (2 mtpa)	\$32,820,000	\$32,820,000
Capex contingency (inc)	20%	20%
Life of Mine C1 costs, FOB Kwinana (inc royalties)	\$32.74	\$33.84
Tonnes Processed (initial 25 years) (Mt)	54	16
Production Target (Mt) (BFS Study)	(25 years) 48.3	(9-10 years) 14.6
Probable Ore Reserves @ 99.9% SiO ₂ (Mt)	18.7	18.7
Ore Reserve life (yrs)	9-10	9-10
JORC Resources (million tonnes)	208	208

Notes:

1. The first column shows outputs when aggregated with the Inferred Mineral Resource and the second column shows outputs from the Probable Ore Reserve only.
2. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.
3. The Probable Ore Reserve and the Inferred Mineral Resource underpinning the above production targets have been prepared by a Competent Person in accordance with the requirements of the JORC Code.
4. Full summaries of economic assumptions are set out in the BFS. All such material assumptions continue to apply and have not materially changed from the date of release of the BFS.
5. All figures are presented in Australian dollars, unadjusted for inflation.

¹¹ ASX Announcement of 18 October 2019, "Muchea BFS and Maiden Ore Reserve"

DIRECTORS' REPORT

Aggregate Project Metrics

Key outcomes and summary financial model outputs for each individual project, and in aggregate, from the BFSs for each project¹² are set out below. The combined post-tax NPV₁₀ of \$727.8 million

	Arrowsmith North	Arrowsmith Central	Muchea	Total
Post Tax, ungeared NPV ₁₀	\$242.3m	\$147.6m	\$337.9m	\$727.8m
Post Tax, ungeared NPV ₂₀	\$99.8m	\$56.1m	\$146.4m	\$302.3m
Post Tax, ungeared IRR	79%	60%	96%	83%
Payback period (yrs) (post tax) (ramp up rate)	2.4	2.8	2.3	2.4
Exchange Rate US\$/A\$	\$0.70	\$0.70	\$0.70	\$0.70
Life of Mine (yrs) (Scope of BFS Study)	25	25	25	25
Total Sales (initial 25 years) no escalation	\$2,773m	\$2,167m	\$3,345m	\$8,285m
EBIT	\$1,144m	\$737m	\$1,540m	\$3,421m
Cashflow after finance and tax	\$835m	\$539m	\$1,123m	\$2,497m
Capex (2 mtpa)	\$28.3m	\$25.9m	\$32.8m	\$87m
Capex contingency (inc)	20%	20%	20%	20%
Life of Mine C1 costs, FOB Kwinana (inc royalties)	\$30.18	\$27.67	\$32.74	\$30.24
Tonnes Processed (initial 25 years) (Mt)	53	51	54	158
Production Target (Mt) (BFS Study) (initial 25 Years)	47.7	39.6	48.3	136
Probable Ore Reserves (Mt)	204	18.9	18.7	242
Ore Reserve life (yrs)	102	10	9-10	
JORC Resources (million tonnes)	771	77	208	1,056

Notes:

1. A proportion of the production target for each of Arrowsmith Central and Muchea is based on Inferred Mineral Resource. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.
2. The Ore Reserves and, in the case of Arrowsmith Central and Muchea, the Inferred Mineral Resource underpinning the above production targets have been prepared by a Competent Person in accordance with the requirements of the JORC Code.
3. Full summaries of economic assumptions are set out in the BFS for each project. All such material assumptions continue to apply and have not materially changed from the dates of release of the BFSs.
4. All figures are presented in Australian dollars, unadjusted for inflation.

¹² ASX announcements of 28 August 2019, "Arrowsmith North BFS and Maiden Ore Reserve", 17 September 2019, "Arrowsmith Central BFS and Maiden Ore Reserve" and 18 October 2019, "Muchea BFS and Maiden Ore Reserve".

Biranup

On 1 July 2020, the Company announced it had entered into a conditional agreement with New Energy Metals Limited (to be renamed Nickel X Limited) for the sale of its Biranup Project and an IPO and listing of that company on the ASX.

Originally expected to complete by the end of 2020, increasing activity for new ASX listings generally has delayed progress on the IPO. The Company has agreed a new completion sunset date of 30 June 2021, subject to minimum exploration expenditure obligations being satisfied by the purchaser in Q1 2021.

Corporate

On 20 November 2020, VRX announced that it had received binding commitments for a capital raising via a share placement to institutional, professional and sophisticated investors to raise \$7 million before costs.

VRX received strong support for the capital raising from a wide range of investors, with bids received well in excess of the amount raised.

This placement positioned VRX to rapidly advance the development of its silica sand projects, in particular at Arrowsmith North for grade-control drilling for the first 10 years of production, confirmatory test work, drilling and equipping water bores, port access design, construction of access roads and final engineering.

The placement was conducted at 18 cents per share, which represented a 23.4% discount to the last closing price of VRX shares on ASX of 23.5 cents prior to announcing the placement and a 13.6% discount to the 10-day volume-weighted average price (**VWAP**) of 20.8 cents as at the same date. A total of 38.9 million new shares were issued within the Company's current placement capacity under Listing Rule 7.1.

Funds raised under the placement have been allocated to pre-production preparatory work at Arrowsmith North, additional drilling at the Muchea Project and VXR's other silica sand asset, Boyatup Project, and general working capital.

Euroz Hartleys Limited (AFSL No 230052) acted as lead manager to the placement.

Material Assumptions

Full details of the bankable feasibility studies for the Arrowsmith North, Arrowsmith Central and Muchea Silica Sand Projects, including material assumptions, are contained in VRX's ASX announcements of 28 August 2019, 17 September 2019 and 18 October 2019, respectively. All such material assumptions continue to apply and have not materially changed from the date of release of the respective BFS. While VRX considers all of the material assumptions to be based on reasonable grounds, there is no certainty they will be correct or that the range of outcomes indicated within the studies will be achieved.

Competent Persons' Statements

The information in this document that relates to Arrowsmith North, Arrowsmith Central and Muchea Exploration Results and Muchea Aircore Drilling Area Mineral Resources are 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, Arrowsmith Central and Muchea Auger area 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, Arrowsmith Central and Muchea 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.

DIRECTORS' REPORT

CHANGES IN STATE OF AFFAIRS

During the half-year ended 31 December 2020 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2020 is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Bruce Maluish
Director

Perth, 15 March 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-year ended 31 December 2020

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Continuing operations		
Revenue	83,027	27,748
Exploration and evaluation expenditure	(176,671)	(303,534)
Depreciation	(25,693)	(24,826)
Directors fees and benefits expense	(186,875)	(186,875)
Finance costs	(2,147)	(2,818)
Share-based payments	(24,911)	(144,792)
Other expenses	(488,865)	(744,068)
Loss before income tax expense	(822,135)	(1,379,165)
Income tax expense	-	-
Net loss for the period	(822,135)	(1,379,165)
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss attributable to members of VRX Silica Limited	(822,135)	(1,379,165)
Basic and diluted loss per share (cents per share)	(0.18)	(0.33)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		Consolidated	
		31 December 2020	30 June 2020
		\$	\$
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents		9,406,722	2,603,047
Trade and other receivables		93,108	102,060
Total Current Assets		9,499,830	2,705,107
Non-Current Assets			
Trade and other receivables		26,030	26,030
Plant and equipment		10,262	12,211
Right-of-use assets		106,849	130,593
Deferred exploration expenditure	2	8,072,478	7,686,005
Total Non-Current Assets		8,215,619	7,854,839
Total Assets		17,715,449	10,559,946
LIABILITIES			
Current Liabilities			
Trade and other payables		238,847	182,635
Provisions		73,707	82,783
Lease liabilities		47,785	46,474
Total Current Liabilities		360,339	311,892
Non-Current Liabilities			
Lease liabilities		63,452	87,675
Total Non-Current Liabilities		63,452	87,675
Total Liabilities		423,791	399,567
Net Assets		17,291,658	10,160,379
EQUITY			
Issued capital	3	42,463,197	34,534,694
Reserves		4,567,054	4,542,143
Accumulated losses		(29,738,593)	(28,916,458)
Total Equity		17,291,658	10,160,379

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Half-year ended 31 December 2020

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020	34,534,694	4,542,143	(28,916,458)	10,160,379
Loss for period	-	-	(822,135)	(822,135)
Total comprehensive loss for period	-	-	(822,135)	(822,135)
Securities issued during the period	8,359,003	-	-	8,359,003
Capital raising costs	(430,500)	-	-	(430,500)
Cost of share-based payments	-	24,911	-	24,911
Balance at 31 December 2020	42,463,197	4,567,054	(29,738,593)	17,291,658
Balance at 1 July 2019	30,796,699	4,188,356	(26,550,241)	8,434,814
Loss for period	-	-	(1,379,165)	(1,379,165)
Total comprehensive loss for period	-	-	(1,379,165)	(1,379,165)
Securities issued during the period	4,168,000	-	-	4,168,000
Capital raising costs	(246,000)	-	-	(246,000)
Cost of share-based payments	-	145,142	-	145,142
Balance at 31 December 2019	34,718,699	4,333,498	(27,929,406)	11,122,791

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Half-year ended 31 December 2020

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(682,783)	(963,762)
Interest received	502	1,529
Other income	88,362	26,075
Interest and other finance costs paid	(2,147)	(2,818)
Net cash outflows used in operating activities	(596,066)	(938,976)
Cash flows from investing activities		
Expenditure on mining interests	(505,850)	(661,978)
Payment for plant and equipment	-	(8,241)
Refund of security deposit	-	20,000
Net cash outflows used in investing activities	(505,850)	(650,219)
Cash flows from financing activities		
Proceeds from issue of shares and options	8,359,003	4,168,052
Payment of capital raising costs	(430,500)	(246,000)
Repayment of lease liabilities	(22,912)	(21,750)
Net cash provided by financing activities	7,905,591	3,900,302
Net increase in cash held	6,803,675	2,311,107
Cash at beginning of the half-year	2,603,047	1,545,418
Cash at end of the half-year	9,406,722	3,856,525

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by VRX Silica Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	31 December 2020 \$	30 June 2020 \$
Exploration and evaluation phase – at cost	8,072,478	7,686,005
Movement		
Balance at beginning of half-year	7,686,005	
Expenditure incurred	563,144	
Expenditure written off	(176,671)	
Total deferred exploration expenditure	8,072,478	

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

NOTES TO THE FINANCIAL STATEMENTS
For the Half-year ended 31 December 2020

3. ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
Issued Capital		
Ordinary shares – fully paid	42,463,197	34,534,694
<hr/>		
Movement in ordinary shares on issue		
<i>Ordinary shares – fully paid</i>		
Balance at beginning of half-year	445,101,227	34,534,694
Issued on exercise of options	18,075,011	1,359,003
Issued for cash pursuant to placement to investors	38,888,891	7,000,000
Expense of issue	-	(430,500)
Balance at end of half-year	502,065,129	42,463,197

4. SHARE-BASED PAYMENTS

During the half-year period, the following share-based payments were incurred:

	Value
	\$
Value of options previously issued as part of financial advisory fees to Argonaut Capital Limited, as disclosed in the 30 June 2020 annual report, expensed during the half-year period.	<u>24,911</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2020

5. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the half-year ended 31 December 2020, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The consolidated entity is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately Nil (2019: Nil) are derived from a single external customer.

6. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period. (2019: Nil)

7. COMMITMENTS

Exploration Commitments

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the accounts. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

	31 December 2020 \$	30 June 2020 \$
Not later than one year	<u>961,300</u>	<u>497,500</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Half-year ended 31 December 2020

8. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities and assets since the last annual reporting date.

9. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than as follows:

Since the end of the half-year, the Company has issued 2,574,264 fully paid ordinary shares on the exercise of the following options:

- 349,264 listed options expiring 31 July 2021, exercised at 18 cents each;
- 1,225,000 unlisted options expiring 30 November 2021, exercised at 9 cents each; and
- 1,000,000 unlisted options expiring 23 October 2023, exercised at 15 cents each.

DIRECTORS' DECLARATION

In the opinion of the directors of VRX Silica Limited:

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. Complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Bruce Maluish
Director

Perth, 15 March 2021



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
VRX SILICA LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of VRX Silica Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of VRX Silica Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of VRX Silica Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

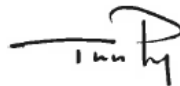
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of VRX Silica Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2021

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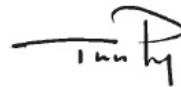
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of VRX Silica Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A stylized, handwritten-style logo for RSM.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Tutu Phong".

TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2021