

VRX SILICA LIMITED

ABN 59 142 014 873

INTERIM FINANCIAL REPORT

FOR HALF-YEAR ENDED

31 DECEMBER 2021

CORPORATE DIRECTORY

DIRECTORS

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

SECRETARY

Ian Hobson

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTRY

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AUDITORS

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Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

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 2021. 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)
David Welch (Non-Executive Director) (appointed 1 September 2021)

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 \$3,239,861 (2020: loss of \$822,135).

The following is a summary of the activities conducted by VRX Silica Limited (**VRX** or **Company**) during the half year ended 31 December 2021 at its silica sand projects at Arrowsmith North, Arrowsmith Central (located 270 km north of Perth) and at Muchea (located 50 km from Perth), all situated in Western Australia.

VRX Silica Sand Resources

VRX is a Western Australian based pure-play silica sand exploration company with three high-value, advanced, very long-term silica sand projects in Western Australia, a Tier 1 mining region.

The Company has multi-decade scale contiguous sand deposits on granted Mining Leases with secure tenure and a combined +1bn tonne Mineral Resource of 99.6% to 99.9% SiO₂ grade silica sand.

The Company and its management team is WA based as are its three large scale, high-grade and low impurity silica sand projects. Each project can be run independently and supply high grade silica sand to many diverse markets.

Applications of Silica Sand

Silica sand is the most-used commodity on the planet after air and water. It is the main ingredient in all types of **glassmaking**, including specialty solar panel and high-tech glass. The glass manufacturing industry demand is increasing at a rate of 5-6% per year, or about 8-10 million tonnes pa. Around 47% of the world's glass is made in Asia.

Silica sand is also the main ingredient in concrete.

Silica sand is a finite resource that is rapidly being exhausted and the Asia-Pacific region is currently experiencing **increasing demand** at a time of a **global supply shortfall**.

DIRECTORS' REPORT

A Project development pipeline to ensure a disciplined, staged development of world-class assets

The Arrowsmith North silica sand project will lead a staggered and disciplined development program with first production, subject to final environmental approvals, expected in 2022, followed by Muchea and Arrowsmith Central.

VRX has the most-advanced silica sand projects for an ASX listed company in Australia with planning, Aboriginal heritage and environmental studies having commenced in 2017. Mining Leases are granted over all three projects as well as various Miscellaneous Licences for access with permitting and infrastructure preparations well-advanced.

The scale of the projects provides for a long-term opportunity for **silica sand export** and potential for **glass manufacturing and downstream industries** in Western Australia.

Arrowsmith North - Near-term development opportunity on a world-class silica sand project

The mining and processing operation is relatively simple and low impact with long-term production expected to commence initially at Arrowsmith North on the 223Mt Ore Reserve @ **99.7% SiO₂** in 2022, subject to final environmental approvals.

A revised capital estimate is currently underway on a tailored 2Mtpa processing plant with a unique patented process circuit.

Process circuit design and detailed engineering has been designed following an extensive metallurgical testing regime. Further bulk testwork programs commenced prior to 31 December 2021 continue to refine the operating parameters and provide final product samples to an extensive list of potential buyers. Large samples (50-60kg) are required for glassmaking furnace testing and foundry resin coating testing. The samples have been requested by potential buyers following previous successful testwork on smaller (1-5kg) samples.

Geotechnical surveys were completed before 31 December 2021 for the plant site and access roads. The plant design is well progressed along with determination of non-process infrastructure requirements. The creation of an overall site and plant model will culminate in 3D modelling which can be viewed on the Company's website (www.vrxsilica.com.au).

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

In addition, a process water bore was successfully drilled to access water from the Yarragadee North deep aquifer and currently aquifer testing is underway to supply data for an abstraction licence application for 0.9Gl of water. The development of monitoring boreholes for a borefield is underway. The plant has been designed to operate predominately with recycled water.

Gas pipelines run adjacent to each of the project areas and it is planned for the plant in the medium to long term to run on a hybrid gas and solar power supply following a tender process for power supply contractors.

Arrowsmith North has access to established infrastructure such as the unused rail line (from Eneabba to Geraldton) which runs adjacent to the Arrowsmith project tenements. A joint co-operation agreement with Mid West Ports Authority (for export of silica sand product from Geraldton Port) has been signed and collaboration has commenced with Arc Infrastructure for a dedicated train unloader at the Geraldton Port. The Company has access to the adjacent Brand Highway and a road intersection plan has been submitted to Main Roads to enable road transport of silica sand product in the short term.

DIRECTORS' REPORT

Heritage Arrowsmith North

VRX has conducted comprehensive Aboriginal Heritage Surveys over the 30-year mining envelope at Arrowsmith North and access roads. These surveys were conducted with Aboriginal Consultants from the Yamatji Southern Regional Corporation, anthropologists and VRX.

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

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

Vegetation Direct Transfer

VRX has developed a unique and progressive mining and rehabilitation method for its silica sand projects. The Vegetation Direct Transfer (**VDT**) method provides rapid and comprehensive regeneration of mined areas based on continuous rehabilitation as mining progresses. The VDT method is a made-for-purpose mining method which removes and replaces a 400mm-deep sod with topsoil to the mined area containing the vast majority of native flora and invertebrate fauna remaining intact.

At the VRX selected mine areas, the root structures in the loose sand are relatively shallow at 200-300mm in depth and ideally suited for the VDT system. The method has been developed to provide the best rehabilitation outcome for the recalcitrant sedges and grass species.

The VDT methodology can be viewed at:

<https://vrxsilica.com.au/miningandrehabilitationmethodology/>

QA/QC Metallurgical Testwork

Extensive metallurgical testwork has been undertaken by sand processing specialists BHM Process Consultants to ensure throughput and quality can be maintained. This has resulted in the development and successful testing at lab scale of a new and unique process circuit incorporating flotation.

An Australian patent for the process has been lodged by BHM to protect the unique intellectual property for the benefit of VRX to utilise and share in future licensing. Flotation will replace spirals and screening by upstream classifying, which is intended to not only reduce capex and operating costs but also produce a more consistent high grade marketable product.

The flotation reagents are organic and rapidly oxidise once used, presenting no environmental issues.

Bulk pilot plant scale testing is currently underway and will supply further large samples to potential buyers. Testing to date with sample sizes referred to above has resulted in an Arrowsmith North product of 99.7% SiO₂ with Fe₂O₃ <500ppm after processing and a preliminary Muchea product of 99.9% SiO₂ with Fe₂O₃ <100ppm after processing (high-grade).

The Company's goal is to provide for consistent QA/QC production and extend the silica sand resources that can be processed consistently for sale.

The Approvals Progress Arrowsmith North

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

VRX has received confirmation from the Commonwealth Department of Agriculture, Water and the Environment (**DWER**) for accredited approval under the Environment Protection and Biodiversity Conservation Act 1999 (**EPBC Act**). Accreditation of the Environmental Protection Authority's (**EPA**) assessment processes means that the Commonwealth can rely on environmental assessments undertaken by the EPA for the purpose of its approval decisions under the EPBC Act on proposals that are likely to have a significant impact on a matter of national environmental significance. If the EPA assesses a proposal at the level of PER under the agreement, separate assessment by the Commonwealth is not required.

The Proposal was referred to EPA services on 17 March 2021 for assessment under Part IV of the Environmental Protection Act 1986 (**EP Act**).

On 24 May 2021 it was determined that the Proposal should be assessed at a Public Environmental Review level of assessment and, as a result, an Environmental Scoping Document (**ESD**) was to be submitted to the EPA for assessment. A draft ESD was prepared and submitted to DWER for assessment on 29 June 2021.

VRX has also sought consent from the EPA to amend the proposed development (s43A application) at Arrowsmith North during the assessment phase.

The amendment comprises the following:

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

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

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

The determination has been updated on the EPA website:

<https://www.epa.wa.gov.au/proposals/arrowsmith-north-silica-sand-project>

A draft ESD (Version A) for the Proposal was submitted to the EPA on 29 June 2021 for assessment and comments were provided by the EPA on 18 August 2021. VRX addressed the EPA's comments and submitted an updated draft ESD (Version B) to the EPA on 22 September 2021.

DIRECTORS' REPORT

During October 2021, the EPA's guidance for the preparation of ESDs was amended and the Company was requested by DWER to amend and re-submit the draft ESD in line with the new guidance. Further comments were provided by the EPA on 7 December 2021. VRX prepared and submitted an amended draft on 13 December 2021.

Subsequent to 31 December 2021, additional comments by the EPA on the amended draft ESD were received, and 18 January 2022 these were addressed by the Company and the document re-submitted.

The ESD requires the approval of the EPA Board before the approval process proceeds.

A significant number of studies have already been completed:

- ✓ Desktop, recce and detailed flora and vegetation surveys
- ✓ Desktop, basic, detailed and targeted fauna surveys
- ✓ Short Range Endemic species desktop and field assessment
- ✓ Terrestrial Environmental Quality
- ✓ Dieback field and follow up assessment
- ✓ Surface Water Drainage assessment
- ✓ Groundwater Hydrology
- ✓ Acid Mine Drainage
- ✓ Social Surrounds and Archaeological and Ethnographic Heritage survey
- ✓ Cultural Values and Heritage assessment
- ✓ Greenhouse Gas Emissions estimation
- ✓ Air Quality assessment
- ✓ Permit for Construction of Water Bore



Fig 1: Arrowsmith North vegetation

DIRECTORS' REPORT

Key assessment milestones to be completed

- ☐ EPA approves ESD
- ☐ Mining Scope to DMIRS
- ☐ EPA publishes ESD
- ☐ Submission of draft ERD
- ☐ EPA accepts ERD and authorises release of ERD for 4 week public review (assumes no further revisions required)
- ☐ EPA provides summary of submissions to proponent
- ☐ Submit response to submissions to EPA
- ☐ EPA reviews response to submissions
- ☐ EPA accepts and publishes proponent's response to submissions
- ☐ EPA finalises assessment report (including consultation on draft conditions) and sends recommendation to Minister
- ☐ Mining Proposal to DMIRS

There will be no further direction on any future survey requirements or timing until the ESD is approved by the EPA.

Also, during December 2021, the mining proposal for the Department of Mines, Industry Regulation and Safety (**DMIRS**) was drafted with formal lodgement subject to the receipt of EPA approval for the ESD. An initial project scope document has been prepared and will be discussed with DMIRS prior to the lodgement of the proposal.

Arrowsmith Central

VRX has referred a proposal for the Arrowsmith Central silica sand project to DAWE for assessment under the EPBC Act. Prior to 31 December 2021, VRX was advised by DAWE it has determined that the Proposal is a Controlled Action and the statutory assessment approach timeframe will await a decision by the WA Government to determine whether an accredited assessment is an appropriate method.

The Arrowsmith Central Proposal was referred to the EPA under s. 38 of the EP Act on 10 September 2021. A notice for further information under s. 38F (1) and (2) of the EP Act was then received on 8 December 2021.

VRX has requested and had approved an extension of time to the end of February 2022 to supply the information requested to incorporate the additional material from the September 2021 detailed flora and vegetation study at Arrowsmith Central. The study results are expected early February 2022.

Offtake

The Company has entered into an initial offtake term sheet for the supply of Arrowsmith North foundry sand products to the South Korean foundry industry, with strong interest from other potential customers in SE Asia at a time of diminishing global supply and increasing demand.

The customers, prominent South Korean foundry sand suppliers and users, Dong A Heung Eop Mining Co. Ltd (Dong A) and Dong Nam Corporation (Dong Nam) supply casting and silica sand to Kia, Hyundai, Daewoo and Samsung Renault. This is a first for VRX and Australia as it is the first and only supply contract for foundry sand from Australia to South Korea.

The term sheet, which is non-binding and conditional on project approvals, sets out the terms and conditions for a FOB silica sand supply contract from Geraldton Port, as well as product specifications, quality control and variation limits, term and quantity determination, sampling and analysis procedures, dispute resolution, FOB (INCO 2020) terms and required documentation and Letter of Credit payment terms.

The final purchase price is to be determined once the delivery date can be committed.

DIRECTORS' REPORT

Muchea - Large scale, world class high-grade silica sand project

Development of the Muchea silica sand project will follow once production has commenced at Arrowsmith North.

Muchea will have access to established infrastructure such as grid power, adjacent to the Brand Highway and the underutilised railway which connects to the Kwinana Port (approx. 100km).

Gas pipelines run adjacent to the Muchea silica sand project and water will be accessed from the Yaragadee deep aquifer.

As the plant will be identical to that at Arrowsmith North, it will also utilise the patent pending process with the flotation process and upstream classifying.

This is intended to not only reduce capex and operating costs but also produce a more consistently high-grade marketable product. Testing to-date at lab scale 20-40kg samples, has resulted in **99.9% SiO₂ with Fe₂O₃ <100ppm after processing (high-grade)**.

The Company has had regular overseas enquiries for Muchea silica sand and believes that the consistent production of such high-grade silica sand with a low iron content will be in high demand as raw material for the manufacture of premium ultra-clear cover glass production, particularly for the burgeoning solar panel manufacturing industry.



Fig 2: Muchea Banksia open woodland

DIRECTORS' REPORT

Boyatup

The Company has commissioned an environmental desktop study over the Boyatup region to commence the approvals process.

The Company has planned for a drill program Q2 2022 to follow up initial hand auger reconnaissance drilling and assays.

The Solar Panel Industry

To meet 2050 greenhouse gas targets the world requires +400GW of solar installation per year. A record 140GW was installed in 2020. The majority of solar panels are manufactured in China and the top 10 producers of “cover glass” for solar panels are all Chinese companies.

Australian Solar Panel Installation

Solar panel installation in Australia is a fast-growing industry. As of September 2021, Australia's 2.96 million solar PV installations had a combined capacity of 23.46GW. In the preceding 12 months 4.12GW were installed in Australia.

Australia has the highest per capita solar capacity at 600W per capita and solar power accounted for 9.9% of Australia's total energy production in 2020.

The installed solar capacity quadrupled between 2011 and 2016 and the price of photovoltaic power is steadily decreasing.

Potential for manufacturing cover glass from adjacent gas/hydrogen pipeline

VRX believes it is the right time, and Muchea is the right place for WA to maximise its economic advantages of a very long-life high-grade silica sand supply and WA domestic gas reserves, together with rapidly developing hydrogen projects in the Mid-West, for a high-tech ultra-clear glass production capability at Muchea.

During the half year being reported on, VRX continued its consultation with the WA State Government to attract foreign and local investment into the development of world-class glass manufacturing and downstream processing industries in Western Australia.

Environmental, Social and Governance - ESG

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

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

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

DIRECTORS' REPORT

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

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

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

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

The adoption by VRX of the WEF framework has already highlighted a number of ESG opportunities, including the Company's long-term objective of integration of solar and battery capacity into power generation and a purpose-built Vegetation Direct Transfer (**VDT**) mining method. VDT has been designed by VRX for rapid regeneration through continuous rehabilitation that ensures the best outcome for the vast majority of native flora and fauna across the Company's silica sand projects.

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

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

Corporate

On 31 July 2021, the Company's quoted options (ASX:VRXO) expired and a strong take-up for exercise placed the Company in a solid financial position. A total of 22,662,911 options were exercised before their expiry date (with 21,226,543 options exercised in July 2021), representing a 94.7% take up, raising a total of \$4,079,324.

During November and December 2021, 5.5 million unlisted options were exercised for a total of \$525,000 and 11,250,000 unlisted options expired unexercised.

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

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

From 2007 to 2017, Mr Welch held senior executive positions within Aurizon Holdings Limited, Australia's largest rail freight operator. These positions included VP Iron Ore, VP Market Development and EVP Strategy and Business Development where he had direct responsibility for strategy, business transformation and performance, commercial negotiations, stakeholder engagement, major projects, joint venture management, M&A and business development. He was previously the Managing Director

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

DIRECTORS' REPORT

of The Millennium Group from 1998 to 2006 and was a Marketing Manager at CSBP Limited (part of the Wesfarmers conglomerate) responsible for the management of mining reagent logistics from 1989 to 1994.

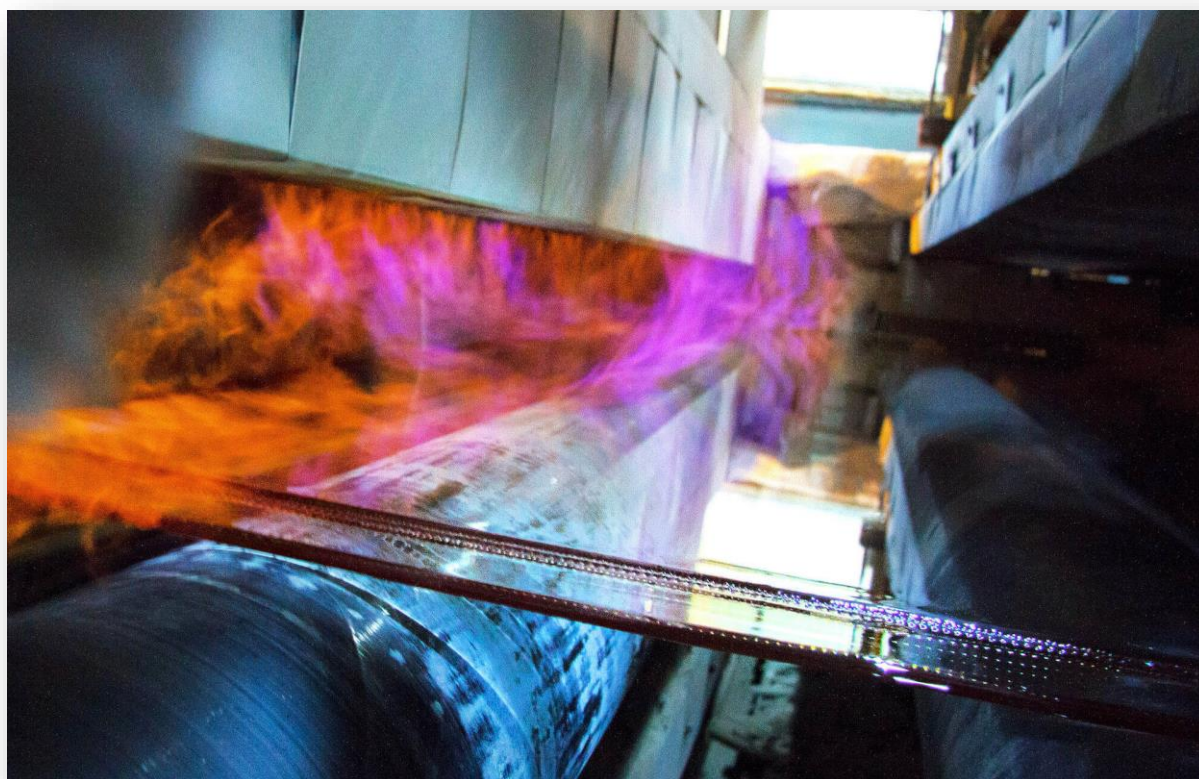
Mr Welch holds a Bachelor of Commerce (1st Class Hons) from the University of Western Australia.

Hydrogen Offtake

In March 2022 the Company announced the signing of a non-binding memorandum of understanding (MOU) with Xodus Group Pty Ltd (Xodus) to explore the future supply of renewable hydrogen to the Company's silica sand projects as well as to potential, nearby glass-manufacturing facilities to enable the production of net-zero glass.

Xodus, a global energy consultancy, specialises in the integration of environmental science, engineering and management to provide holistic support and services in energy transition. An Xodus-led consortium is developing Project MercurHy for the industrial-scale production of hydrogen gas using renewable energy in the Mid-West region of Western Australia.

The MOU with Xodus establishes a platform for strategic confidential communication and future co-operation between the parties. It contemplates the sharing of information with a view to a future offtake of between 9,000 tonnes to 11,000 tonnes of hydrogen per annum, which is adequate to supply a substantial glass-making facility.



DIRECTORS' REPORT

Details of Tenement Activities

During the period the following tenements were granted at the Arrowsmith Project:

Exploration Licence E70/5817
Exploration Licence E70/5548
Miscellaneous Licence L70/230

The following tenements were applied for at the Arrowsmith Project:

Miscellaneous Licence E70/229
General Purpose Lease G70/264
General Purpose Lease G70/265
General Purpose Lease G70/266

The information in this document that relates to the estimation and reporting of the Mineral Resource and Ore Reserves for the Arrowsmith North, Arrowsmith Central and Muchea Silica Sand Projects is extracted from releases to ASX on 28 August 2019, 17 September 2019 and 18 October 2019, respectively. The Company confirms that it is not aware of any new information or data that materially affects the information included in this document and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

CHANGES IN STATE OF AFFAIRS

During the half-year ended 31 December 2021 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 2021 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, 14 March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-year ended 31 December 2021

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
Continuing operations		
Revenue	27,511	83,027
Exploration and evaluation expenditure	(350,468)	(176,671)
Depreciation	(39,835)	(25,693)
Directors' fees and benefits expense	(256,000)	(186,875)
Finance costs	(5,386)	(2,147)
Loss on revaluation of equity instruments	(343,750)	-
Share-based payments	(1,518,284)	(24,911)
Other expenses	(753,649)	(488,865)
Loss before income tax expense	(3,239,861)	(822,135)
Income tax expense	-	-
Net loss for the period	(3,239,861)	(822,135)
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss attributable to members of VRX Silica Limited	(3,239,861)	(822,135)
Basic and diluted loss per share (cents per share)	(0.59)	(0.18)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Consolidated 31 December 2021 \$	30 June 2021 \$
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents		11,815,949	10,442,067
Trade and other receivables		370,002	254,973
Total Current Assets		12,185,951	10,697,040
Non-Current Assets			
Trade and other receivables		26,111	26,111
Financial assets at fair value through profit or loss	2	750,000	1,093,750
Plant and equipment		130,601	10,802
Right-of-use assets		215,469	251,381
Deferred exploration expenditure	3	10,395,060	8,803,987
Total Non-Current Assets		11,517,241	10,186,031
Total Assets		23,703,192	20,883,071
LIABILITIES			
Current Liabilities			
Trade and other payables		546,490	395,617
Provisions		163,801	178,232
Lease liabilities		69,330	67,051
Total Current Liabilities		779,621	640,900
Non-Current Liabilities			
Lease liabilities		153,139	188,190
Total Non-Current Liabilities		153,139	188,190
Total Liabilities		932,760	829,090
Net Assets		22,770,432	20,053,981
EQUITY			
Issued capital	4	49,906,519	45,468,491
Reserves		6,109,843	4,591,559
Accumulated losses		(33,245,930)	(30,006,069)
Total Equity		22,770,432	20,053,981

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Half-year ended 31 December 2021

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2021	45,468,491	4,591,559	(30,006,069)	20,053,981
Loss for period	-	-	(3,239,861)	(3,239,861)
Total comprehensive loss for period	-	-	(3,239,861)	(3,239,861)
Securities issued during the period	4,438,028	-	-	4,438,028
Cost of share-based payments	-	1,518,284	-	1,518,284
Balance at 31 December 2021	49,906,519	6,109,843	(33,245,930)	22,770,432
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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Half-year ended 31 December 2021

	Consolidated 31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,134,905)	(682,783)
Interest received	8,761	502
Other income	17,139	88,362
Interest and other finance costs paid	(5,386)	(2,147)
Net cash outflows used in operating activities	(1,114,391)	(596,066)
Cash flows from investing activities		
Expenditure on mining interests	(1,814,291)	(505,850)
Payment for plant and equipment	(102,692)	-
Net cash outflows used in investing activities	(1,916,983)	(505,850)
Cash flows from financing activities		
Proceeds from issue of shares	4,438,028	8,359,003
Payment of capital raising costs	-	(430,500)
Repayment of lease liabilities	(32,772)	(22,912)
Net cash provided by financing activities	4,405,256	7,905,591
Net increase in cash held	1,373,882	6,803,675
Cash at beginning of the half-year	10,442,067	2,603,047
Cash at end of the half-year	11,815,949	9,406,722

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 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 2021 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 \$	30 June 2021 \$
Listed ordinary shares – designated at fair value through profit or loss	750,000	1,093,750
Reconciliation		
Fair value at beginning of half-year	1,093,750	
Revaluation decrement	(343,750)	
Fair value at end of half-year	750,000	

The Company holds 6,250,000 fully paid ordinary shares in NickelX Limited, received on 6 May 2021 (escrowed for 12 months) as part consideration for the sale of the Biranup Nickel and Gold Project. On 31 December 2021, the closing trading price of NickelX Limited shares was 12 cents each (30 June 2021: 17.5 cents each).

Refer to Note 10 for further information on fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2021

3. DEFERRED EXPLORATION EXPENDITURE

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

	31 December 2021 \$	30 June 2021 \$
Exploration and evaluation phase – at cost	10,395,060	8,803,987
Movement		
Balance at beginning of half-year	8,803,987	
Expenditure incurred	1,941,541	
Expenditure written off	<u>(350,468)</u>	
Total deferred exploration expenditure	<u>10,395,060</u>	

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.

4. ISSUED CAPITAL

	31 December 2021 \$	30 June 2021 \$
Issued Capital		
Ordinary shares – fully paid	49,906,519	45,468,491
Movement in ordinary shares on issue	Number	\$
<i>Ordinary shares – fully paid</i>		
Balance at beginning of half-year	530,651,486	45,468,491
Issued on exercise of options	<u>27,751,543</u>	<u>4,438,028</u>
Balance at end of half-year	<u>558,403,029</u>	49,906,519

NOTES TO THE FINANCIAL STATEMENTS
For the Half-year ended 31 December 2021

5. SHARE-BASED PAYMENTS

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

	Value per Option	Number	Value \$
Unlisted options exercisable at \$0.30 each on or before 31 August 2024, issued to consultants and vesting on issue	\$0.0991	11,100,000	1,100,010
Unlisted options exercisable at \$0.30 each on or before 31 August 2024, issued to the Directors and vesting on the following dates:			
Vesting on issue	\$0.0555	5,100,000	283,050
Vesting on 30 June 2022	\$0.0557	5,100,000	284,070
Vesting on 30 June 2023	\$0.0582	5,100,000	296,820
Less value of options not vested at 31 December 2021			(521,780)
Unlisted options exercisable at \$0.30 each on or before 31 August 2024, issued to employees and vesting on the following dates:			
Vesting on issue	\$0.0551	800,000	44,080
Vesting on 30 June 2022	\$0.0553	800,000	44,240
Vesting on 30 June 2023	\$0.0577	800,000	46,160
Less value of options not vested at 31 December 2021			(83,277)
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.			24,911
Expensed during the period			<u>1,518,284</u>

The 11,100,000 unlisted option granted to consultants in August 2021 were for nil consideration. The options were valued using the Hoadley ESO2 binomial valuation model using an underlying share price of \$0.23, volatility of 85%, interest rate of 0.12% and an early exercise multiple of 2.5x.

The 15,300,000 unlisted options issued to the Directors for nil consideration were approved by shareholders on 29 November 2021. The options were valued using the Hoadley ESO2 binomial valuation model using an underlying share price of \$0.16, volatility of 85%, interest rate of 0.92% and an early exercise multiple of 2.5x.

In December 2021, 2,400,000 unlisted options were issued to employees for nil consideration. The options were valued using the Hoadley ESO2 binomial valuation model using an underlying share price of \$0.16, volatility of 85%, interest rate of 0.98% and an early exercise multiple of 2.5x.

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2021

6. 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 2021, 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 (2020: Nil) are derived from a single external customer.

7. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period. (2020: Nil)

8. 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 2021 \$	30 June 2021 \$
Not later than one year	<u>824,800</u>	<u>784,800</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Half-year ended 31 December 2021

9. CONTINGENT LIABILITIES AND ASSETS

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

10. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2021				
<i>Assets</i>				
Ordinary shares at fair value through profit or loss	750,000	-	-	750,000
Total assets	750,000	-	-	750,000

30 June 2021

Assets

Ordinary shares at fair value through profit or loss	1,093,750	-	-	1,093,750
Total assets	1,093,750	-	-	1,093,750

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

11. EVENTS SUBSEQUENT TO REPORTING DATE

The impact of the COVID-19 pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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.

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 2021 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, 14 March 2022

RSM Australia Partners

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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 statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2021 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.

THE POWER OF BEING UNDERSTOOD
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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 2021 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



AIK KONG TING
Partner

Perth, WA
Dated: 14 March 2022

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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 2021, 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.

Rsm

RSM AUSTRALIA PARTNERS



AIK KONG TING
Partner

Perth, WA
Dated: 14 March 2022

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