

10 November 2021

## ASX ANNOUNCEMENT

### ARROWSMITH NORTH OFFTAKE

#### Highlights:

- **Detailed offtake term sheet signed with significant foundry sand importers in the Republic of Korea**
- **Importers are suppliers to Hyundai Motors, Kia Motors and Renault Samsung Motors**
- **Follows comprehensive testing of Arrowsmith North silica sand that confirmed suitability and superior quality for the foundry industry**

VRX Silica Limited (ASX:VRX) (**VRX** or **Company**) is pleased to announce it has entered into an offtake term sheet for the supply of silica sand from its Arrowsmith North Silica Sand Project (**Arrowsmith North**) into the foundry industry in the Republic of Korea (**South Korea**).

The offtake partners, Dong A Heung Eop Mining Co., Ltd (**Dong A**) and DongNam Corporation (**DongNam**), are leading suppliers of sand to the foundry industry in South Korea. Dong A is based in Busan and has been an established South Korean supplier of foundry and resin coated sand (**RCS**) to the foundry industry since 1965. DongNam, established in 1965, is a supplier of RCS and cast alloy products to Hyundai Motors.

The term sheet sets out detailed terms and conditions for the supply of an aggregate 200,000 tonnes per annum of AFS55 certified foundry sand for a period of four years, with volume to be split between Dong A and DongNam.

Extensive testing by Dong A of Arrowsmith North silica sand samples supplied by VRX has confirmed that the AFS55 foundry sand from Arrowsmith North will be a sought-after product for South Korea's foundry industry. VRX expects this initial offtake term sheet to underpin future supplies into the South Korean market as companies seek to replace dwindling volumes from current suppliers.

The key features for foundry sand are particle size distribution and grain shape and size. Laboratory results from metallurgical test work undertaken by Dong A indicate the product from Arrowsmith North is superior in quality to the product relied on by Dong A's incumbent supplier. Figure 1 below sets out a comparison of particle size distribution, chemical composition and grain shape and size between VRX and incumbent products, derived from the test work conducted by Dong A.

#### ASX: VRX

##### Capital Structure

Shares on Issue:  
552.9 million

Unlisted Options:  
34.4 million

##### Corporate Directory

**Paul Boyatzis**

*Non-Executive Chairman*

**Bruce Maluish**

*Managing Director*

**Peter Pawlowitsch**

*Non-Executive Director*

**David Welch**

*Non-Executive Director*

**John Geary**

*Company Secretary*

##### Silica Sand Projects

*Arrowsmith Silica Sand Projects, 270km north of Perth, WA.*

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

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

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

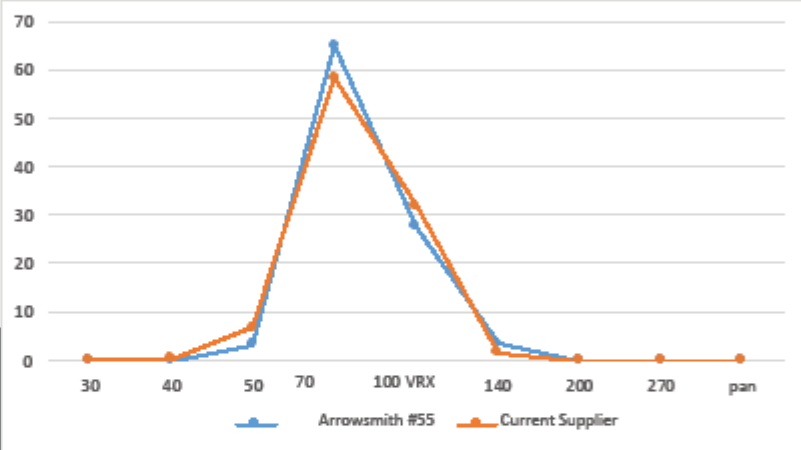
## TECHNICAL SERVICE LABORATORY DATA SHEET

Test# 20211018-3  
 Date 2021.10.19  
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Client VRX  
 Address Australia  
 Requester Mr.Yoonil Kim

### 1. Particle size distribution

Product Name	30	40	50	70	100	140	200	270	pan	Total	AFS-GFN
VRX Arrowsmith #55	0	0.04	3.34	65.2	27.68	3.58	0.1	0.02	0	100	57.11
Current Supplier	0.29	0.45	6.91	58.51	31.97	1.75	0.07	0.01	0	100	56.48



### 2. Loss on ignition

Product Name	L.O.I
VRX Arrowsmith #55	0.05
Current Supplier	0.12

### 3. Chemical composition

Product Name	SiO2	Al2O3	Fe2O3	CaO	MgO	TiO2	K2O	Sum of concentration
VRX Arrowsmith #55	99.72	0.0064	0.083	0.0014	0.0034	0.0694	0.0012	99.88%
Current Supplier	99.46	0.0064	0.1091	0.0014	0.121	0.0846	0.0012	99.78%

### 4. Note

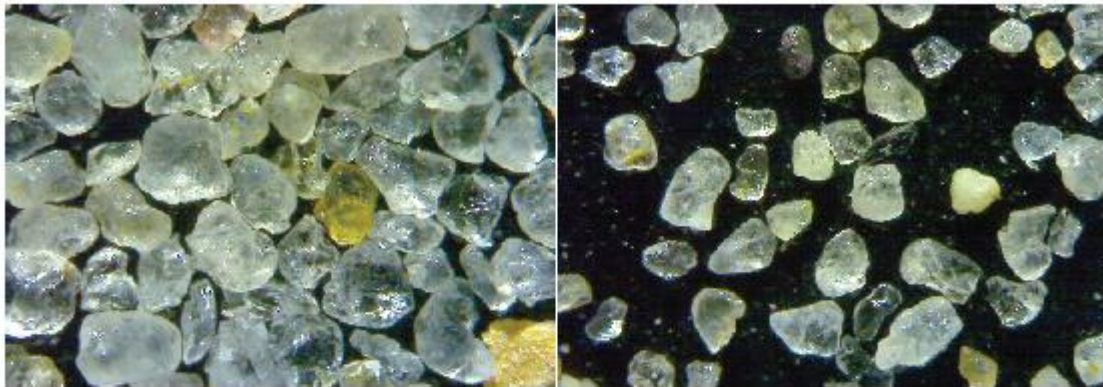
- high purity silica sand
- The PSD is very suitable for foundry
- The particle shape is very good
- The washing condition is excellent
- This product is very good for foundry sand



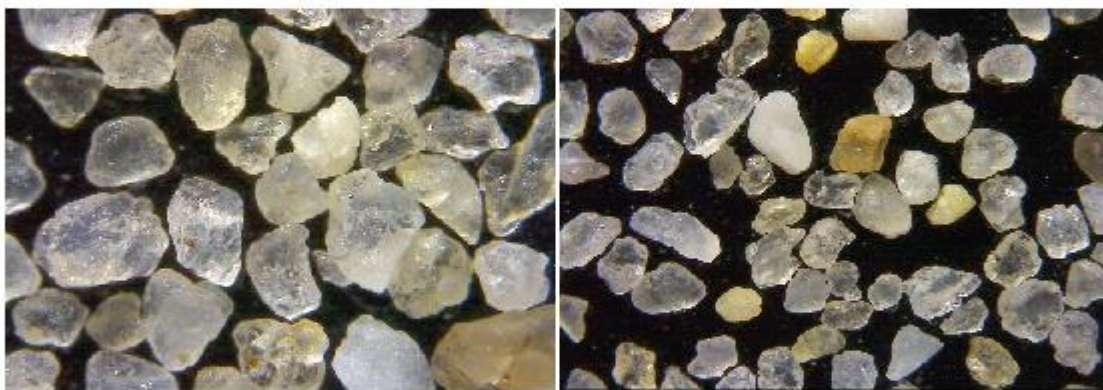
**DONG A HEUNG-EOP MINING CO., LTD**

Address: 10, Hyeonjeong-ro, Hyeonjeong-gu, Gyeongsang-do, Korea. Tel: +82 51 851 2100 Fax: +82 51 851 2221 Email: dha@dongaheung.com

#### 5. Particle Images



VRX Arrowsmith #55



Current Supplier

**Figure 1. Dong A test results on Arrowsmith North AFS 55**

The term sheet with Dong A and DongNam represents a significant step forward for VRX by demonstrating market confidence in the Company's high-quality WA silica sand projects led by Arrowsmith North.

VRX Managing Director Bruce Maluish said:

*"The term sheet is a major milestone in the journey to develop our high-quality WA silica sand projects. We are delighted with the calibre of our first offtake partners Dong A and DongNam, given their significant industry experience and high standing in the foundry industry in South Korea. Both companies have shown confidence in the quality of our foundry sand product from Arrowsmith North and are very keen to convert this term sheet into a secure, long-term supply agreement."*

*“The South Korean foundry industry is an extensive support service for the automobile and marine industries. VRX’s engagement with Dong A and DongNam will expand awareness of the quality of our product in this large and important Asian market and likely lead to further inquiries from parties keen to secure supplies of Arrowsmith North silica sand.*

*“Importantly, this maiden term sheet vindicates VRX’s strategy to take our time to ensure production of a highly sought-after product and to secure the right customers for our silica sand. Market demand for the high-quality foundry sand we can produce remains very strong and, having signed up two reputable partners, will only further strengthen our credibility and position in the marketplace.*

*“We acknowledge that this process has taken much longer than expected and thank our shareholders for their support and patience.*

*“Our focus now is on converting the term sheet with Dong A and DongNam into a binding offtake agreement while progressing talks with other parties involved in the foundry sand and glass-making industries.”*

The term sheet is non-binding and pricing is to be agreed. Offtake is subject to permitting, port clearances and formal documentation. Delivery of product will be FOB (Incoterms 2020) via the Port of Geraldton. The term sheet sets out provisions for quality and quantity of product (including an increase of volume if the ramp-up period is accelerated by the Company), other delivery terms (including for stowage, laycan, loading and demurrage), passing of title and risk, payment terms, weighing, sampling and moisture analysis, and other provisions that are customary for a commercial transaction of this nature.

VRX cautions that the term sheet is non-binding and subject to conditions. Detailed testing of sample product and negotiations to date that have culminated in the execution of the term sheet give VRX a reasonable basis to believe a binding offtake agreement will be entered into in the future, however there can be no certainty that a binding agreement will be reached. Further, there can be no certainty that any conditions precedent to any such binding agreement will be satisfied. While today’s announcement of the term sheet is a significant development for the Company, investors are nonetheless cautioned against placing undue reliance on the term sheet.

This announcement has been authorised for release to ASX by VRX Managing Director, Bruce Maluish.

#### **Further information:**

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## About VRX Silica

VRX Silica Ltd (ASX: VRX) is developing world-class, high-grade silica sand projects in Western Australia.

The Arrowsmith North and Arrowsmith Central Silica Sand Projects, 270km north of Perth, comprises six granted exploration licences and two granted mining leases. Bankable feasibility studies for both projects have demonstrated exceptional financial metrics.

The Muchea Silica Sand Project, 50km north of Perth, comprises three granted and one under-application exploration licences as well as one granted mining lease. Muchea is a world-class project with high-purity silica sand in situ. A bankable feasibility study has demonstrated outstanding financial metrics.

The Boyatup Silica Sand Project, 100km east of Esperance, comprises two adjacent granted exploration licences. Initial indications are that this project can complement the Arrowsmith and Muchea projects and add to the range of silica products VRX Silica may be capable of producing.

## Proven Management

VRX Silica's Board and Leadership Team have extensive experience in mineral exploration and mine development-to-production and in the management of publicly listed mining and exploration companies.

## Project Locations

