VRX SILICA LIMITED

ABN 59 142 014 873

ANNUAL REPORT

30 JUNE 2022

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AUSTRALIAN SECURITIES EXCHANGE

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

LETTER FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS

Dear Shareholders

During the year VRX Silica continued to make solid progress on its Western Australian silica sand projects, in what has globally been a challenging environment.

Disruption caused by the Covid-19 pandemic, together with an unprecedented skills shortage, has materially affected all manner of Government approvals processes. With department resources stretched to the limit advised and mandated timelines are consistently put to the test.

All of the Company's silica sand projects at Arrowsmith North, Arrowsmith Central, Muchea and Boyatup have progressed throughout the year despite these challenges, with Arrowsmith North the most advanced through the approvals process.

All projects continue to attract a significant level of interest from potential offtake customers, with demand (subject to final agreed terms) for anticipated silica sand products far exceeding what we expect to be able to supply.

Key areas of progress during the year include:

- Continuing and expanding detailed extensive environmental studies across all silica sand projects
- Finalising unique processing circuit engineering for Arrowsmith North
- Issuing a tender for major processing equipment and electrical infrastructure for Arrowsmith North
- Acquiring and refurbishing second hand critical equipment for Arrowsmith North
- Establishment of a pilot scale test rig at Nagrom laboratories and completing trials
- Developing a tailings management strategy for each project
- Issuing a tender for power supply at Arrowsmith North
- Drafting piping & instrumentation diagrams for Arrowsmith North
- Submission of Brand Highway intersection design to Main Roads Western Australia for Arrowsmith North
- Continuing proactive engagement with key stakeholders, including traditional owners, local authorities and the general public

We are entering an exciting new phase for the Company as we progress to development of Arrowsmith North and work towards our goal of becoming a leading supplier of high-quality silica sand to the global market.

On behalf of the Board, I would like to thank all personnel for their valuable contribution during the year and thank shareholders for their continued support.

Paul M Boyatzis
Chairman
For and on behalf of the Board

VRX SILICA LIMITED

The most advanced, pure-play silica sand company on ASX

Four high-value, long-life, high-grade Western Australian silica sand projects

- Four multi-decade-scale contiguous sand deposits – Arrowsmith North, Arrowsmith Central, Muchea and Boyatup
- A combined +1.1 billion tonne mineral resources of 99.6% to 99.9% SiO_2 grade silica sand on granted mining leases over three projects, all with secure tenure
- Muchea boasts ultra-high- purity product of 99.9% SiO_2 with <100ppm Fe_2O_3 after processing, with likely higher quality after further, targeted processing
- Arrowsmith North high-purity product of 99.7% SiO_2 with <500ppm Fe_2O_3

Made-for-purpose, low capex processing plant capable of independent operation

- Largely identical 2mtpa processing plants on all four projects utilising a unique flotation process, rather than spirals and screening
- Flotation will reduce capex and operating costs, and produce a more consistent, high-grade and marketable product
- Process circuit design and detailed engineering complete, extensive and ongoing metallurgical testing regime to refine plant operating parameters and optimal products
- Flotation reagents are organic and rapidly oxidise once used, presenting no environmental issues

Extensive environmental studies and approvals progressing

- Extensive seasonal environmental studies conducted over a number of years in anticipation of State and Federal environmental requirements
- Number and extent of required surveys expanded following further consultation with EPA
- Advanced in the approvals process with the EPA for development of Arrowsmith North
- Environment approvals process commenced for Arrowsmith Central

Rehabilitation at the heart of mining – Vegetation Direct Transfer

- VDT provides rapid and comprehensive regeneration of mined areas based on continuous rehabilitation as mining progresses
- VDT removes a 3m x 3m, 400mm deep sod, with topsoil containing the vast majority of native flora and invertebrate fauna

Substantial offtake interest

- Bulk pilot plant scale testing programs test the process circuit and supply large samples to an extensive list of potential buyers
- Initial offtake term sheet agreed for supply of Arrowsmith North foundry sand products to prominent South Korean foundry sand suppliers and users, subject to project approvals and pricing
- Poised to be an Australian first, and only, supplier of foundry sand to South Korea
- Substantial interest from significant players across the Asia Pacific for silica sand products from all four projects

Arrowsmith North in final stages of approval, targeting production in 2023

- First project slated for commencement of production in 2023
- Project in last stages of environmental and mining approvals processes
- Environmental review document (ERD) close to release for public review and comment. Provides a comprehensive summary of the environmental setting, physical and operational elements of the mine and infrastructure, environmental impact and mitigation and proposed rehabilitation and closure plan
- Mining proposal finalised for DMIRS approval, subject to EPA approval
- Indicative timetable from the EPA for development anticipates final approvals in late 2022 with plant construction following in early 2023
- Plant and equipment procurement process well-advanced to enable timely construction following a decision to mine
- Long-lead plant items identified, specification and production of tender documentation for processing equipment underway
- Substantial interest in financing and offtake to underpin project

Arrowsmith North – Key Environmental Assessment Milestones

Past

- Desktop, recce and detailed flora and a 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

2018
Baseline and desktop studies

2019-2021
Detailed environmental studies

Oct 2021
EPA referral approved

March 2022
ESD approved

July 2022
ERD lodged

Q4 2022
ERD approved and released to public

Q4 2022/Q1 2023
EPA produces assessment report
Minister approves

Future

- EPA accepts ERD
- ERD released for 4 week public review
- EPA provides summary of public submissions to proponent
- EPA reviews proponent 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 for the Environment
- Minister for Environment grants approval for project

Review of Operations

The following is a summary of the activities conducted by VRX Silica Limited (**VRX** or **Company**) during the financial year ended 30 June 2022 at its silica sand projects at Arrowsmith North, Arrowsmith Central (located 270 km north of Perth), Muchea (located 50 km from Perth) and Boyatup (located 100 km east of Esperance), all situated in Western Australia.

VRX Silica Sand Resources

VRX is a Western Australian based pure-play silica sand exploration company with four high-value, advanced, very long-term, high-grade and low impurity 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 +1.1bn tonne Mineral Resource of 99.6% to 99.9% SiO_2 grade silica sand (see Table 1).

Project	Classification	Mt	SiO_2 %	Al_2O_3 %	Fe_2O_3 %	TiO_2 %	LOI %
Muchea	Indicated	29	99.6	0.09	0.03	0.07	0.22
	Inferred	172	99.6	0.05	0.02	0.10	0.23
	Total	208	99.6	0.06	0.02	0.10	0.23
Arrowsmith North	Indicated	248	97.7	1.00	0.40	0.20	0.50
	Inferred	523	98.2	0.80	0.30	0.20	0.40
	Total	771	98.0	0.86	0.30	0.17	0.41
Arrowsmith Central	Indicated	28.2	96.6	1.70	0.40	0.20	0.70
	Inferred	48.3	96.9	1.50	0.40	0.20	0.70
	Total	76.5	96.8	1.50	0.40	0.20	0.70
Boyatup*	Inferred	60	97.8	0.83	0.23	0.13	0.88
	Total	60	97.8	0.83	0.23	0.13	0.88

Total Mineral Resource 1,116 Million Tonnes**

* Boyatup Mineral Resource Estimate announced to ASX on 18 August 2022

** See material assumptions statement on page 19

Table 1: Silica Sand Mineral Resources as at 30 June 2022

Each project can be run independently and supply high grade silica sand to many diverse markets.

Applications for 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 containers, flat glass and 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 an essential component of the **foundry** and casting industries. The largest foundry industry is in South Korea, which dominates these industries, particularly for large marine components.

Silica sand is the main ingredient in concrete and building cladding.

It is also a component of many household products such as paint, plastics and insulation and automobile components such as glass and tyres.

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

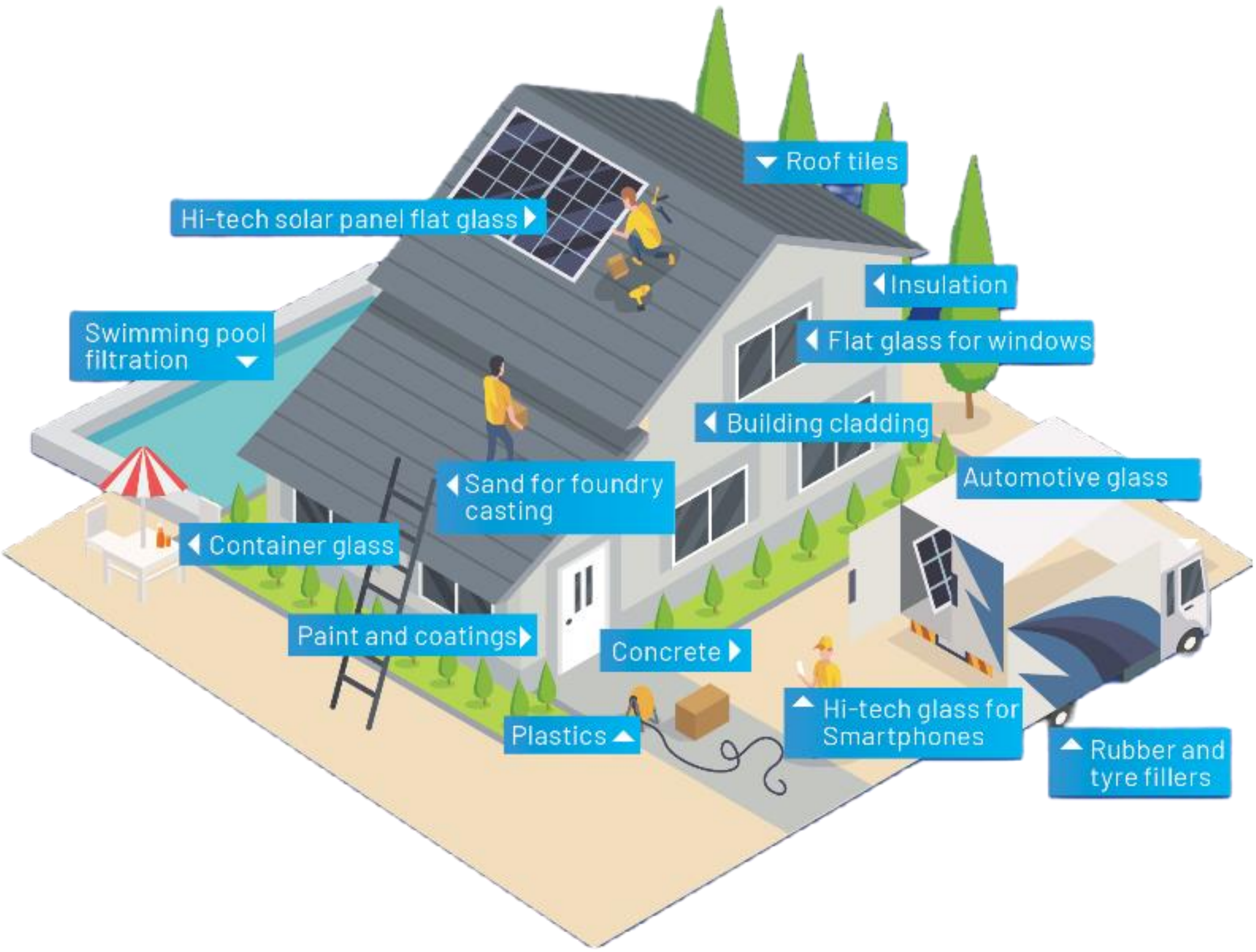

Figure 1: Applications for silica sand

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

VRX has the most-advanced silica sand projects in Australia for an ASX listed company, having commenced planning, Aboriginal heritage and environmental studies in 2017.

The Arrowsmith North silica sand project will lead a staggered and disciplined development program, followed by Muchea and Arrowsmith Central.

Resources have been reported for all four projects with Mining Leases granted over three projects as well as various Miscellaneous Licences for access. Permitting and infrastructure preparations are well-advanced, with Arrowsmith North in the final stages of approval.

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.

Long-term production is expected to commence in 2023 at Arrowsmith North on the **223Mt Probable Ore Reserve**[1] @ **99.7% SiO_2**, subject to final environmental and mining approvals.

Classification	Product	Recovery	Mt	SiO_2 %	Al_2O_3 %	Fe_2O_3 %	TiO_2 %	LOI %
Probable	N20	24%	60	99.7	0.2	0.05	0.035	0.1
	N40 / NF500	60%	149					
	Local Market	6%	15					
Arrowsmith North Probable Ore Reserve			**223**	**Million Tonnes**				

Table 2: Arrowsmith North Probable Ore Reserve (as at 30 June 2022)

Process circuit design and detailed engineering for a tailored 2Mtpa processing plant, with a unique patented process circuit, has been undertaken following an extensive metallurgical testing regime.

Bulk testwork programs continue to refine the operating parameters and provide final product samples to an extensive list of potential buyers.

The results of additional bulk testwork programs undertaken during the March and June 2022 quarters were received in August 2022. These programs produced sufficient final product for the large samples (50-60kg) required for glassmaking furnace testing and foundry resin coating testing. The samples have been requested by an extensive list of potential buyers following previous successful testwork on smaller (1-5kg) samples.

Geotechnical surveys have been completed for the plant site and access roads. The plant design has determined the location 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. This will enable a timely construction program following a decision to mine at Arrowsmith North.

Water is a critical component for the viability for any silica sand processing. The Company has secured this critical component by successfully drilling a 400 metre deep water bore to access water from the Yarragadee North deep aquifer with aquifer confirmation testing to supply data for an abstraction licence application for 0.9Gl per year of water. This deep bore will ensure that the surficial water aquifer is unaffected. Monitoring boreholes for a borefield have been completed. 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.

[1] See ASX announcement of 28 August 2019 and material assumptions statement on page 19

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 has been incorporated into fauna submissions as part of the environmental approvals process. The Company has used this exercise as an introduction to the proposed 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 relocates 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 to 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 metallurgical specialists BHM Process Consultants to ensure throughput and quality can be maintained. This has resulted in the development and successful testing at lab and bulk scale of a new and unique process circuit incorporating flotation to replace spirals.

A patent application 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 opportunities. 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 has been undertaken to test the process circuit and supply further large samples to potential buyers. Testing to date has resulted in an Arrowsmith North product of 99.7% SiO_2 with Fe_2O_3 <500ppm after processing and a preliminary Muchea product of 99.9% SiO_2 with Fe_2O_3 <100ppm after processing (high-grade).

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

Environmental Approvals

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 authorities 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 these authorities. 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 of Western Australia'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 Public Environmental Review (**PER**), as is the case for Arrowsmith North, separate assessment by the Commonwealth is not required.

In late 2021 the Company finalised its mining proposal for Arrowsmith North for lodgment at the Department of Mines, Industry Regulation and Safety (**DMIRS**) subject to the receipt from the EPA of approval for the Company's Environmental Scoping Document (**ESD**) for the project. An initial project scope document was prepared and discussed with DMIRS prior to its lodgement.

The ESD was lodged with the EPA in September 2021 and approved in April 2022.

In May 2022 the Company lodged the Environmental Review Document (**ERD**) with the EPA for Arrowsmith North.

The ERD document is required under the EPA's PER process and will be released for public review following the review by the EPA and other relevant authorities. The ERD was prepared according to the procedures in the EPA's *Environmental Impact Assessment* (EIA; Part IV Divisions 1 And 2) Procedures Manual (EPA, 2021b).

The ERD is a comprehensive summary of the project environmental setting, the physical elements of the mine and infrastructure, operational elements, the extent of effects on the environment and the proposed rehabilitation and closure plan. An important feature of the proposed rehabilitation is the use of the unique VDT method to restore of the mine area vegetation and habitat.

The Company received a request from the EPA for further information on 4 July 2022 and the response was submitted on 12 July 2022. The Company awaits EPA confirmation of when that the document will be released for public review.

The indicative timetable for the development of Arrowsmith North anticipates final EPA approval in December 2022, with the six-month construction phase scheduled to commence in January 2023, subject to formal consent required from the State Minister for Environment.

Arrowsmith Central

The Arrowsmith Central proposal was referred to the EPA under s. 38 of the EP Act in September 2021

The initial referral to DAWE for EPBC assessment of the Arrowsmith Central project was lodged in October 2021. VRX has been informed by DAWE that the proposal is a Controlled Action and DAWE will accept the State EPA accredited assessment.

In December 2021, the EPA issued to the Company a notice under s. 38F (1) and (2) of the EP Act to supply further information to incorporate additional material from the September 2021 detailed flora and vegetation study at Arrowsmith Central. This was submitted to the EPA in February 2022.

The revised referral package was reviewed and in April 2022 the EPA determined that an amendment application under s. 38C of the EP Act was required prior to the EPA making a decision whether or not to assess the proposal. The additional information was lodged in May 2022 and included alignment with new EPA guidance that was issued in March 2022, subsequent to the original lodgement date. This led to the inclusion of a proposal content document section, holistic impact section, cumulative impact section, restructure of the impact tables, revision of development envelopes, disturbance footprints and updated figures.

In June 2022, as expected the EPA determined that the proposal should be assessed at a PER level of assessment and the ESD for Arrowsmith Central was to be submitted to the EPA for assessment later that same month. The Company awaits the EPA's comments on this document.

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 intent to supply agreement 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.

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

Once production is underway at Arrowsmith North, the Company expects to commence development at Muchea on the **18.7Mt Probable Ore Reserve[2] @ 99.8 to 99.9% SiO_2**.

Classification	Product	Recovery	Mt	SiO_2 %	Al_2O_3 %	Fe_2O_3 %	TiO_2 %	LOI %
Probable	F80	48%	10.2	99.9	0.02	0.008	0.03	0.1
	F80C	20%	4.25					
	F150	20%	4.25	99.8				
Muchea North Probable Ore Reserve			**18.7**	**Million Tonnes**				

Table 3: Muchea Probable Ore Reserve (as at 30 June 2022)

Muchea sits adjacent to established infrastructure such as grid power, road (Brand Highway), rail (underutilised railway line to Kwinana Port) and two gas pipelines.

Water will be sourced from the Yaragadee deep aquifer.

As for Arrowsmith North, the mining and processing operation is relatively simple and low impact. The processing plant will be identical to that at Arrowsmith North and will utilise the same unique flotation process and upstream classifying.

2 See ASX announcement of 18 October 2019 and material assumptions statement on page 19

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% SiO_2 with Fe_2O_3 <100ppm after processing (high-grade).**

The Company has received a substantial number of enquiries from international buyers for Muchea silica sand. The production of such consistently 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.

Figure 2: Muchea Banksia open woodland

In July 2021, VRX commissioned Mattiske consulting to undertake a detailed springtime flora and vegetation study on the priority area in the north of the Muchea silica sand project area. This is in addition to a 2017 desktop survey and a field survey in spring 2018. The survey area included 884ha of proposed mining area and proposed access routes.

A comprehensive flora and vegetation assessment of the survey area has been prepared, and includes:

- An assessment of the area at a suitable scale that allows the vegetation communities to be delineated, including replicate survey sites in similar vegetation types to enable statistical analysis of flora species data.
- The collection and identification of the vascular plant species present in both the survey sites and opportunistically in order for a more complete assessment of the flora in the survey to be made.
- A review of the conservation status of the vascular plant species recorded by reference to current literature and listings by the Department of Biodiversity, Conservation and Attractions (**DBCA**) and plant collections held at the Western Australian State Herbarium (WAH), and listed by DAWE under the EPBC Act.
- Collation and analysis of data and comparison with local and regional datasets and analyses.
- Definition and mapping of the vegetation communities, Floristic Community Types (FCTs) and Site-Vegetation Types (SVTs) in the survey area.

- Definition and mapping of the location of any Threatened or Priority flora and any Threatened or Priority Ecological Communities located within the survey area.
- Definition of any management issues related to flora and vegetation values.
- Provision of recommendations on the local and regional significance of the vegetation communities

In combination with previous flora and fauna survey reports the detail in this report will allow VRX to select areas of mining that will have the least impact to the environment and habitats.

Further detailed flora, vegetation and fauna studies have been commissioned for the spring season in 2022 on provisional mining areas.

Boyatup

In March 2022 VRX conducted a 206 hole, 312m, 400m x 800m spaced air core drill program over nine days at its 100% owned Boyatup silica sand project, located approximately 100km east of Esperance, Western Australia.

Results of early work undertaken by VRX and the previous tenement holder indicate in-situ sand grades up to 99.7% SiO_2 with potential to produce a very low Fe_2O_3 product.

This drilling campaign enabled a maiden Inferred Mineral Resource Estimate of 60 million tonnes at 97.8% SiO_2[3].

Drilling also produced bulk material for metallurgical testwork to determine the product quality that the project can produce. Preliminary testing demonstrates that the Resource can be processed to high-quality glass-making sand.

A heritage (site avoidance) survey was undertaken by the Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNTAC) who cleared the area for the drill program.

Environmental desktop studies over the area have commenced with databases from the DBCA received to review regional data on:

- Priority flora
- Priority ecological communities
- Threatened ecological communities; and
- Significant fauna.

The desktop studies will be reviewed to select potential production sites with the lowest environmental impact in line with our ESG priorities.

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 <u>all</u> 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.

[3] See ASX announcement of 18 August 2022 and material assumptions statement on page 19

Australia has the highest solar capacity in the World 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 LNG reserves, together with rapidly developing hydrogen projects in the Mid-West, for a high-tech ultra-clear glass production capability at Muchea.

Since confirming the high-grade resource at Muchea, VRX has been in consultation with the State and Federal Governments to attract foreign and local investment into the development of world-class glass manufacturing and downstream processing industries in Western Australia.

Key Plant and Equipment for Arrowsmith North

In May 2022 VRX announced the start of project capital expenditure for its Arrowsmith North processing plant, with the purchase of two major items of sand processing equipment.

With the support of specialist engineering consultancy ProjX, VRX purchased locally a 3m diameter x 8m long RCR-designed feed trommel and a 3.6 x 8.5m Schenck "banana" vibrating screen.

Figure 3: Feed trommel

The trommel was previously part of a mineral sands operation and is now at Hotweld Engineering, a Bunbury based mechanical & fabrication workshop for refurbishment. The screen was previously in use at a lithium processing plant and has been relocated to RCR, a Bunbury based mechanical equipment workshop where it has been refurbished.

The acquisition of these two key pieces of equipment for Arrowsmith North is a significant saving in both lead time and capital. The Company's strategy to purchase and refurbish high-quality second-hand major plant and equipment has both pre-empted any lead time issues associated with ongoing global supply chain disruption and delivered more than $1 million in capital savings to-date.

The trommel is a key piece of process equipment, comprising a rotating screening barrel mounted over a large sump on a structural steel-base frame. Mined sand passes through the screen panels and is pumped to the processing plant. The trommel is in excellent condition structurally and an ideal fit-for-purpose item of major process equipment for the project.

VRX will continue to pursue other lead time and cost-saving opportunities to capitalise on its first-mover advantage in Western Australia's emerging silica sand sector, at a time when there is fast-rising global demand for high-quality, responsibly sourced silica sand volumes.

Figure 4: The trommel barrel is loaded for transport

The screen had undergone strip, non-destructive testing and assessment by the OEM (Original Equipment Manufacturer) and refurbishment is completed.

Figure 5: Schenck screen being refurbished at RCR

Geothermal Energy Resources

On 21 January 2022, DMIRS released 21 areas in Western Australia for applications for Geothermal Exploration Permits with a closing date for applications of 21 April 2022.

VRX has made a number of applications for permits proximal to the Company's current Arrowsmith North and Arrowsmith Central silica sand holdings.

The applications were made as part of VRX Silica's overall green energy ambitions as demonstrated by the hydrogen gas memorandum of understanding with XODUS Energy and embodied in the Company's Sustainability Report.

The process is by way of competitive bids and the Company expects there will be significant interest. There is no guarantee of a successful application. DMIRS has not indicated as to when the bidding process will be finalised.

Metallurgical Testwork R&D

In April 2022 VRX lodged an R&D Tax Incentive Application with AusIndustry for the year ending June 2021.

The claim is for costs incurred for the R&D work undertaken by VRX and its consultants in the core development of a new process route for high grade silica sand which includes the recovery and testing of metallurgical composite samples, preparation and analytical testwork to determine a process circuit design and subsequent engineering.

The Company received $197,714 in July 2022 before fees for the year ending June 2021. An additional claim will be made for the year ending June 2022.

WA Investment Attraction Fund

In July 2019 the Western Australian State Government released Diversity WA to provide an economic development framework for the State. It sets out initiatives, actions and strategies that will contribute to achieving its vision for "a strong and diversified economy delivering secure, quality jobs through increased investment across a broad range of industries". It also identifies priority sectors for strategic development that match Western Australia's unique strengths with global trends to achieve growth across the economy.

As part of the initiative, successful applicants will be eligible for financial assistance in the form of grants and other incentives, subject to a Financial Assistance Agreement (FAA) from the Investment Attraction Fund.

In May 2022 VRX made a preliminary application under Stage 1 of the scheme (Expressions of Interest) and in August 2022 the Company was invited to progress to Stage 2 and make a detailed application.

Environmental, Social and Governance - ESG

VRX 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 has engaged ESG specialist Futureproof Consulting to facilitate 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.

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 a two-year growth of 25% across Australasia.[4]

This has transformed the environment in which VRX operates to one with new priorities around climate risk, biodiversity loss and, of-late, 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 the VDT mining method. VDT has been designed 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.

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[4] Global Sustainable Investment Review 2020 (http://www.gsi-alliance.org/wp-content/uploads/2021/07/GSIR-2020.pdf)

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 continue to measure, monitor and report on its sustainability progress as the Company adapts to the growing demands of investors and stakeholders to implement and improve its ESG strategies and reporting practices.

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.

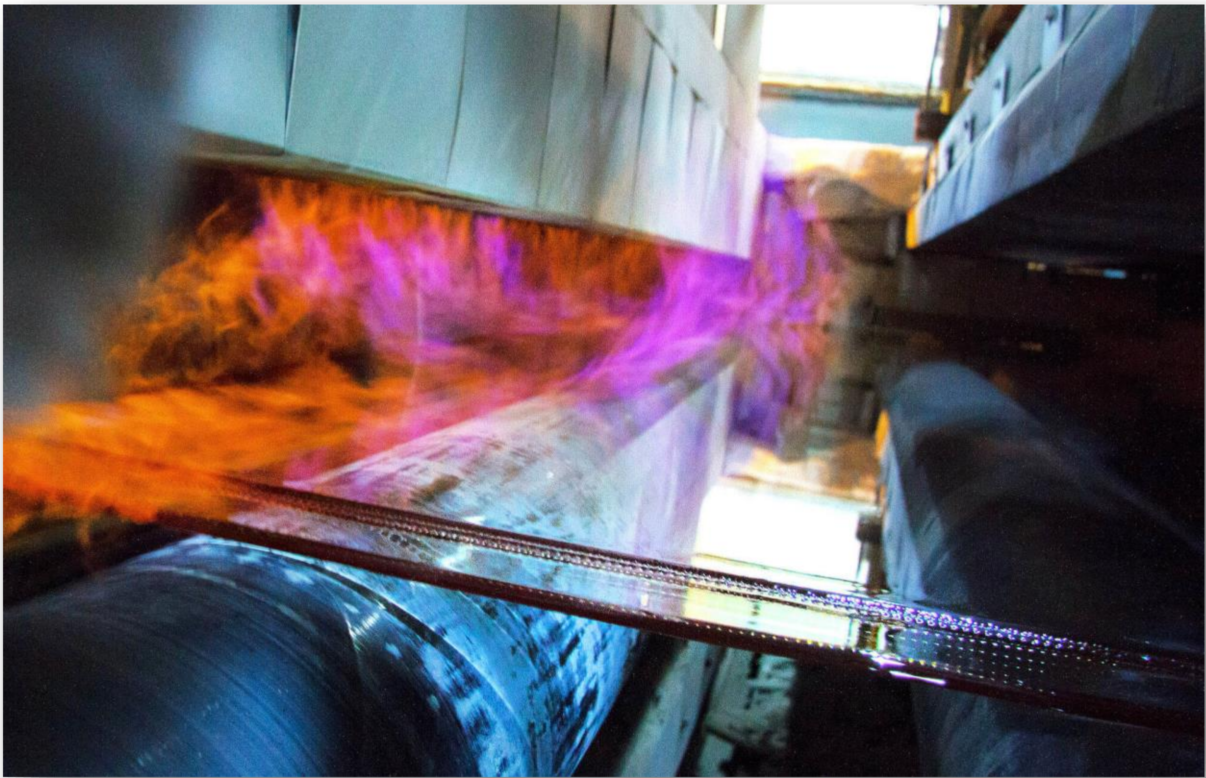


Figure 6: Glass Manufacturing

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 October to December 2021, 6.8 million unlisted options were exercised for a total of $617,250 and 11,000,000 unlisted options expired unexercised.

In September 2021, 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. Further details of Mr Welch's background and experience are set out elsewhere in the Annual Report.

Annual Mineral Resources and Ore Reserves Report

In accordance with ASX Listing Rule 5.21, VRX reviews and reports its Mineral Resource and Ore Reserve Estimates at least annually.

The date of reporting is 30 June each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its Mineral Resources or Ore Reserves over the course of the year, the Company promptly reports these changes.

Mineral Resources

The Company's silica sand projects have a combined +1.1bn tonne Mineral Resource of 99.6% to 99.9% SiO_2 grade silica sand.

Project	Classification	Mt	SiO_2 %	Al_2O_3 %	Fe_2O_3 %	TiO_2 %	LOI %
Muchea	Indicated	29	99.6	0.09	0.03	0.07	0.22
	Inferred	172	99.6	0.05	0.02	0.10	0.23
	Total	208	99.6	0.06	0.02	0.10	0.23
Arrowsmith North	Indicated	248	97.7	1.00	0.40	0.20	0.50
	Inferred	523	98.2	0.80	0.30	0.20	0.40
	Total	771	98.0	0.86	0.30	0.17	0.41
Arrowsmith Central	Indicated	28.2	96.6	1.70	0.40	0.20	0.70
	Inferred	48.3	96.9	1.50	0.40	0.20	0.70
	Total	76.5	96.8	1.50	0.40	0.20	0.70
Boyatup*	Inferred	60	97.8	0.83	0.23	0.13	0.88
	Total	60	97.8	0.83	0.23	0.13	0.88

Total Mineral Resource 1,116 Million Tonnes

* Boyatup Mineral Resource Estimate announced to ASX on 18 August 2022

Table 4: Silica Sand Mineral Resources as at 30 June 2022

Project	2021		2022		Change	
	Mt	SiO_2 %	Mt	SiO_2 %	Mt	SiO_2 %
Muchea	208	99.6	208	99.6	-	-
Arrowsmith North	771	98.0	771	98.0	-	-
Arrowsmith Central	76.5	96.8	76.5	96.8	-	-
Boyatup*	-	-	60	97.8	60	97.8
Total Mineral Resource	**1,056**	**98.2**	**1,116**	**98.2**	**60**	**97.8**

* Boyatup Mineral Resource Estimate announced to ASX on 18 August 2022

Table 5: Silica Sand Mineral Resources Comparison (2021 and 2022)

Ore Reserves

The Ore Reserves for the Company's silica sand projects are set out below.

Project	Classification	Product	Recovery	Mt	SiO_2 %	Al_2O_3 %	Fe_2O_3 %	TiO_2 %	LOI %
Muchea	Probable	F80	48%	10.2	99.9	0.02	0.008	0.03	0.1
		F80C	20%	4.25					
		F150	20%	4.25	99.8	0.07	0.015	0.035	0.1
	Muchea Ore Reserve			**18.7**	**Million Tonnes**				
Arrowsmith North	Probable	N20	24%	60	99.7	0.2	0.05	0.035	0.1
		N40 / NF500	60%	149					
		Local Market	6%	15					
	Arrowsmith North Ore Reserve			**223**	**Million Tonnes**				
Arrowsmith Central	Probable	CF400	17%	4.2	99.6	0.25	0.04	0.03	0.1
		C20	34%	8.4					
		C40	17%	4.2					
		High TiO_2	9%	2.2			<1%	2%	
	Arrowsmith Central Ore Reserve			**18.9**	**Million Tonnes**				
			Total Ore Reserve	**261**	**Million Tonnes**				

Table 6: Ore Reserves as at 30 June 2022

There has been no change in the Company's Ore Reserves since 30 June 2021.

Material Assumptions underpinning Mineral Resources and Ore Reserves

Information that relates to the estimation and reporting of the Mineral Resources and Ore Reserves for the Arrowsmith North, Arrowsmith Central, Muchea and Boyatup Silica Sand Projects is extracted from releases to ASX on 28 August 2019, 17 September 2019, 18 October 2019 and 18 August 2022, 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.

The Company's governance and internal controls in place with respect to estimates of mineral resources and ore reserves involve the use of external consultants where required, in conjunction with input by management and review by the Board.

Competent Persons' Statements

Information in this document that relates to Arrowsmith North, Arrowsmith Central, Muchea and Boyatup Exploration Results, Boyatup Mineral Resources and Arrowsmith North, Arrowsmith Central and Muchea Probable Ore Reserves is based on data collected and compiled under the supervision of Mr David Reid BSc (Geology), who is a full-time employee of VRX Silica and a registered member of the Australian Institute of Geoscientists. Information 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, a Member of the Australian Institute of Geoscientists, and a Registered Professional Geologist in Industrial Minerals.

Each of Mr Reid and 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). Each of Mr Reid and Dr Scogings consents to the disclosure of information in this report in the form and context in which it appears.

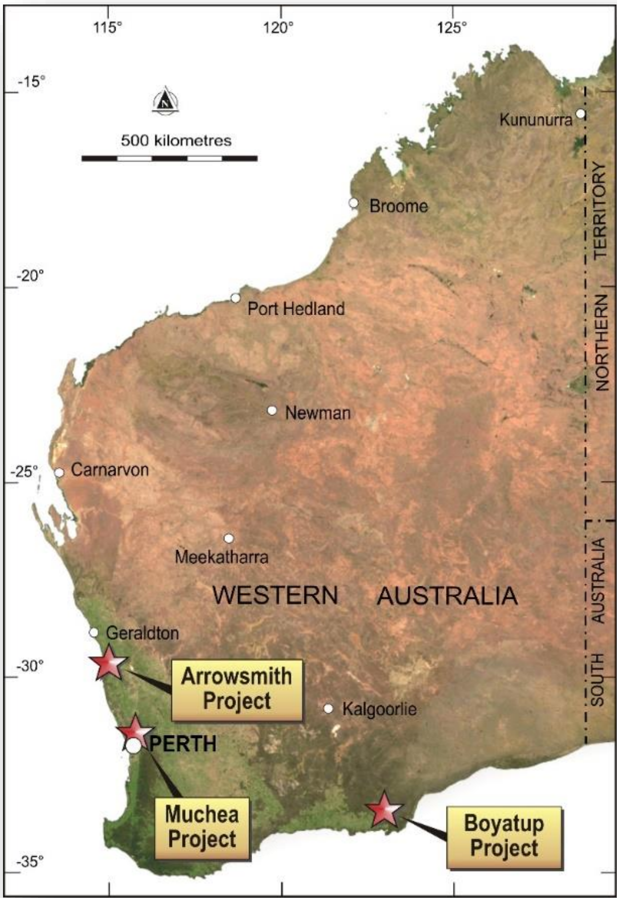
VRX Silica FY22 Sustainability Report

Acknowledgement of Country

VRX acknowledges First Nations people as the Traditional Owners of Country upon which our projects lie. We recognise the unique cultural heritage of First Nations people and their continued connection to lands, waters and communities. We pay our respects to all First Nations people, and to Elders past, present and emerging.

About VRX

VRX Silica Limited[1] (ASX: VRX) is an explorer and imminent producer of high-quality silica sand with a focus on exporting the commodity to meet rising demand in the Asia Pacific region. We are headquartered in Perth, Western Australia with development at four silica sand projects across the state. Our total silica sand JORC compliant mineral resource stands at 1.12 billion tonnes (Bt) and range in grade from 96% to 99% silicon dioxide (SiO_2), with low iron impurities. Our projects also have total probable ore reserves of 261 Mt, ranging in grade from 99.6% to 99.9% SiO_2.[2]



1 In this report, the terms the "VRX", "Company", "we", "us" and "our" refer to VRX Silica Limited.

2 Refer to our 2022 Annual Report for references to ASX releases and commentary on material assumptions underpinning these results.

Corporate Strategy

Our strategy is to become a global producer, exporter, and supplier of choice for high-quality silica sand. To achieve this, we have secured four large-scale, high-grade, and low-impurity silica sand projects in Western Australia, three of which have long-term mining leases granted and two of which are in an advanced stage of development. All four projects offer the potential for substantial mineral reserves, benefit from existing and adjacent road and rail lines to major export ports and are within close proximity to established or available infrastructure (logistics, power, water).

Given the substantial volume of high-quality silica sand and the close proximity to energy infrastructure at our locations, VRX is exploring the potential for development of glass-manufacturing facilities. We believe it is the right time and place for Western Australia to maximise its economic advantages for high-grade silica sand supply and ultra-clear glass production.

Arrowsmith North silica sand project, Western Australia

VRX was granted our 100%-owned Arrowsmith North Mining Lease in November 2020. The site is located in the Geraldton Sandplain bioregion approximately 270 km north of Perth. It holds an estimated 771 Mt total of Indicated and Inferred Mineral Resources at 98.0% SiO_2 readily amenable to upgrading by conventional washing and screening to be suitable for industries such as glass making and foundry sand. Arrowsmith North is considered a world class deposit and estimated to hold 25 years' worth of production with potential for a 100+ year mine life.

Arrowsmith Central silica sand project, Western Australia

VRX was granted our 100%-owned Arrowsmith Central Mining Lease in November 2020. As with the Arrowsmith North project the site is located in the Geraldton Sandplain bioregion approximately 270 km north of Perth. It holds an estimated 76.5 Mt total of Indicated and Inferred Mineral Resources at 96.8% SiO_2 readily amenable to upgrading by conventional washing and screening to be suitable for industries such as glass making and foundry sand. Arrowsmith Central is considered a world class deposit and estimated to hold 75 years' worth of production.

Muchea silica sand project, Western Australia

Our 100%-owned Muchea Mining Lease is located 50 km north of Perth and is estimated to hold a 208 Mt total of Indicated and Inferred Mineral Resources at 99.6% SiO_2. Muchea's sand grain size and quality is suitable for the ultra-clear glass market much in demand for use in solar panels.

Boyatup silica sand project, Western Australia

VRX acquired our 100%-owned Boyatup exploration licence in early 2019. Located 100 km east of Esperance, this 124 km^2 exploration site has the potential to produce silica sand for export that is subtly different from our three other projects. The project holds an estimated 60 Mt of Inferred Mineral Resource at 97.8% SiO_2.

Latest Developments at VRX

Significant progress has been made during the past year. The key achievements related to environmental approvals and sustainable development include:

- Gained approval from Environmental Protection Authority of Western Australia ("EPA") on the Environmental Scoping Document for Arrowsmith North
- Lodged an Environmental Review Document to EPA for Arrowsmith North
- Commenced detailed flora evaluation of high resolution aerial photography at Arrowsmith North
- Referred a proposal for Arrowsmith Central to the Federal Department of Water and Environment for assessment
- Completed Aboriginal heritage surveys at Arrowsmith North and Arrowsmith Central
- Conducted a detailed springtime flora and vegetation study for Muchea
- Undertook an Aboriginal heritage (site avoidance) survey for the drill program at Boyatup
- Completed an environmental desktop study at Boyatup
- Signed a non-binding memorandum of understanding ("MOU") with Xodus Group Pty Ltd ("Xodus") to explore the future supply of renewable hydrogen to VRX's silica sand projects as well as potential nearby glass-manufacturing facilities
- Completed carbon life cycle analysis for estimated greenhouse gas ("GHG") emissions at Arrowsmith North and Arrowsmith Central

Future Focus

VRX is planning a staggered and disciplined development timetable across our multiple projects beginning with Arrowsmith North, followed by Muchea, Arrowsmith Central and Boyatup. Permitting is well advanced with environmental approvals, native title agreements, offtake agreements, process circuit design, engineering and other development activities underway.

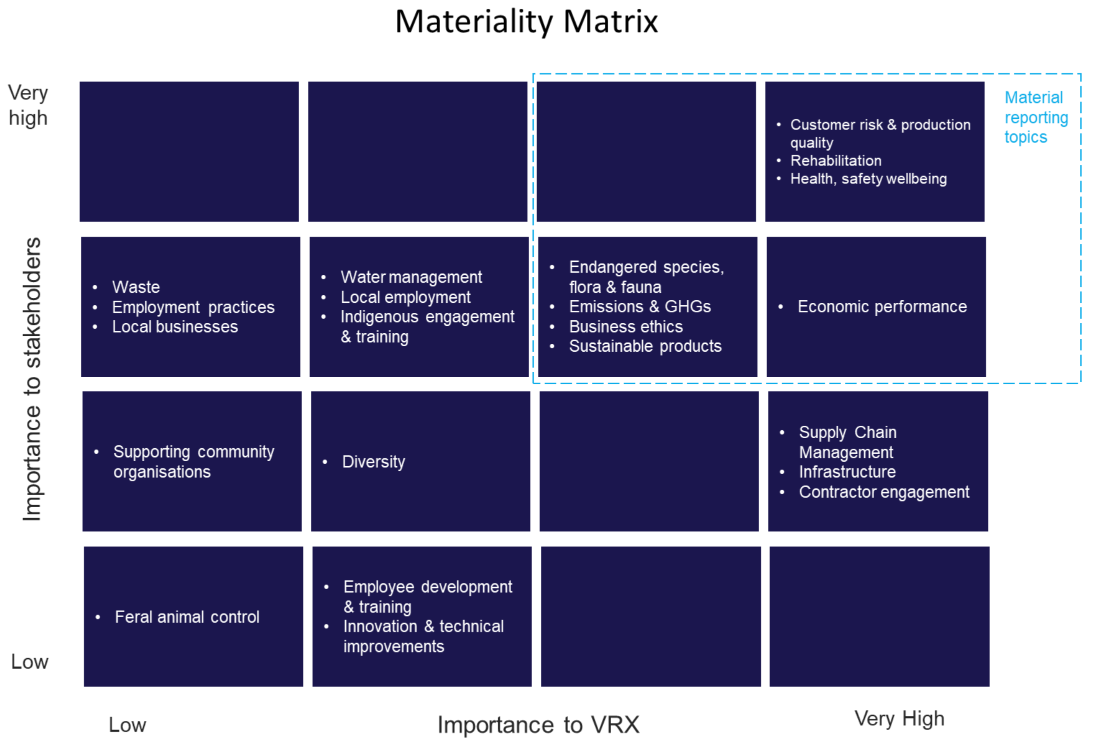
Stakeholders and Materiality

VRX strives for open and transparent dialogue with our stakeholders with whom we seek to engage early and in a timely manner. We recognise such an approach is central to building our reputation and the way in which we are perceived by our investors, indigenous communities and others. During the materiality process, a map of VRX stakeholders was produced and is displayed below.

Stakeholder	Key Interests and Concerns	Engagement methods
Investors and shareholders	Financial performance, management of financial and non-financial risks, and sustainability reporting	ASX releases, Half Year and Full Year results presentations and webcasts, Annual General Meeting, Annual Report including the Sustainability Report, regular meetings and social media channels
Government and regulators	Environmental and safety compliance	Reports and meetings
Supplier and contractors	Supply chain management and sustainable sourcing	Supplier screening, tender contract documents, meetings and contractor engagement

Stakeholder	Key Interests and Concerns	Engagement methods
Aboriginal groups and local communities	Local economic development, heritage conservation, land management and rehabilitation	Project specific community engagement plans, local media, social media channels, employment opportunities, community investment projects, sponsorships and donations
Employees	Working conditions, benefits, professional development opportunities and occupational health and safety	Team meetings and training sessions
NGOs	Potential environmental and social impacts associated with operations	Invitations for participation in meetings and community events
Customers	Reliability, quality, cost and delivery	Meetings and social media channels

Material topics are those that reflect VRX's economic, environmental or social impacts and can substantially influence stakeholder decisions. In this report, VRX addresses the material matters that enable ongoing assessment of our sustainability performance. These topics include both environmental, social and governance ("ESG") risks and opportunities that have potentially significant negative or positive impacts on our business and our stakeholders. In alignment with the Global Reporting Initiatives, VRX senior management conducted a materiality assessment workshop to identify and prioritise the ESG topics. A list of material ESG topics was developed alongside a materiality matrix to show the most important issues that we will prioritise in our sustainability journey. Focus areas include sustainable products, rehabilitation, health, safety and wellbeing, endangered species, emissions, greenhouse gases and business ethics. This process and the listing of material issues has informed our strategic thinking on ESG priorities and dictated the structure and content of this report.



ESG Pillar	ESG Topic
Environment	• Rehabilitation • Emissions and GHGs • Water management • Endangered species, flora and fauna • Waste • Feral animal control
Social	• Health and safety, wellbeing • Economic performance • Indigenous engagement & training • Local employment • Employment practices • Local businesses • Contractor engagement • Diversity • Supporting community organisations • Employee development & training
Governance	• Customer risk & production quality • Business ethics • Sustainable products • Supply chain management • Infrastructure • Innovation and technical improvements

Sustainability at VRX

We are committed to creating a sustainable, low-impact environmental legacy and positive benefits for our communities.

High-quality silica sand – an essential material for a low carbon future

Limiting global warming will require major efforts in global transition to a low carbon economy. As the transition accelerates, it is vital to maintain essential raw materials supply for renewable energy infrastructure development. Solar energy technology is one of the fastest-growing renewable energy sources. Among all low-carbon technology options, increased development of solar photovoltaic ("PV") could reduce carbon emissions by 21% by 2050[3]. According to International Energy Agency ("IEA"), solar technologies need to contribute over 30% of global energy to reach net-zero[4].

High-purity silica sand plays an indispensable role in solar energy development. It offers optimal thermal expansion properties, excellent photoconductivity, durability and low toxicity. The unique qualities of premium silica sand make it suitable for ultra-clear solar panels manufacturing. Further utilisation on this world-class resource will help mitigate climate change, as well as job creation and economy growth.

[3] Future of Solar Photovoltaic - International Renewable Energy Agency (IRENA)
https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Nov/IRENA_Future_of_Solar_PV_2019.pdf

[4] Net Zero by 2050 A Roadmap for the Global Energy Sector – IEA
https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

Critical to the global decarbonisation effort

Ultra-high purity, low-iron silica sand is a key component in

- Solar panel glass
- Fibreglass composite

Solar panel flat glass

- Ultra high-grade, low-iron silica sand is needed to produce glass that effectively transmits the sun's energy to solar panel cells

Wind turbine blades

- Specialty silica sand is a critical component in the fibreglass used for wind turbine blades

Lower auto emissions

- Ground silica sand is used to produce particulate filters for both petrol and diesel engines

Clean-burning diesel

- Silica sand is a key processing aid in the production of green diesel

Feeding the planet

- Silica sand is a crucial component for bleaching clay absorbents and filter aids needed to meet stringent food safety requirements

VRX's contribution to low carbon economy

VRX has an emerging position in high quality silica sand which is vital for supporting decarbonisation. Although VRX will sell silica sand for a variety of different uses, a key priority will be contributing to a net-zero future through supply of the ultra-clear glass market for use in solar panels. Our Muchea silica sand project is well-situated to take advantage of the premium silica sand resources.

> "Western Australia's mid-west region is increasingly being recognised for its potential to become a substantial hub to supply renewable energy and production of hydrogen for local consumption and export."
>
> Bruce Maluish, Managing Director

Glass manufacturing requires substantial energy inputs which contributes to rising global emissions. VRX is exploring the potential of utilising renewable energy in glass-manufacturing, highlighted by our MOU with Xodus to explore the future supply of renewable hydrogen to our projects, as well as potential glass-manufacturing facilities. This could potentially enable us to produce net-zero glass. The potential glass-making facility could also generate a significant number of permanent jobs in Western Australia.

By committing to operating our business in a low carbon manner and in accordance with high ESG standards, we aim to reduce risk, build resilience into our operations and drive long-term, sustainable value for our stakeholders.

Responsible Sand Exploration, Mining and Production

We recognise that expectations of corporate behaviour are changing and that investment capital is increasingly being redirected towards socially and environmentally-responsible businesses. This has transformed the environment in which we operate to one which prioritises climate risk, biodiversity loss, social impacts.

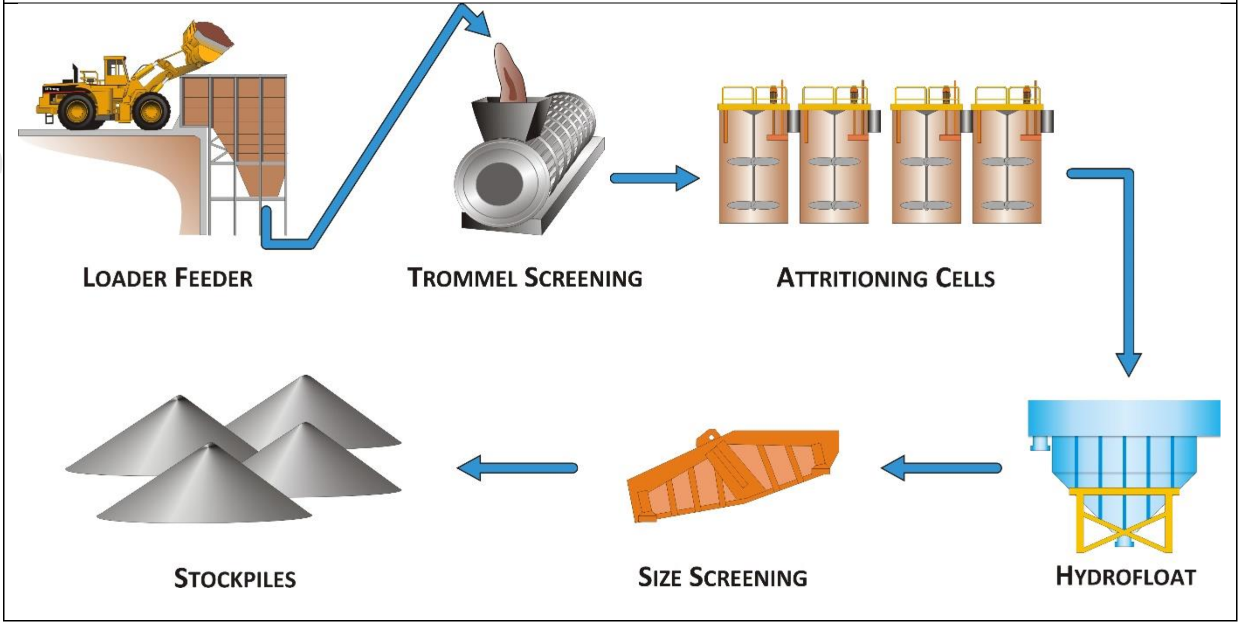
Environmental Pillar

While we are in the early stages of developing our world-class silica sand projects, VRX has a unique opportunity to incorporate forward-thinking approaches to sustainability into our operations to ensure we leverage the opportunities during transition to a low carbon future.

Environmental protection through low impact mining

Our project sites have been selected for their minimal impact on the native vegetation, landforms and fauna. Sand mining will leave an undulating landform with vegetation and habitat lower than originally encountered but largely intact. Processing will only involve the use of recycled water and few non-toxic chemicals. The resource is relatively consistent in its attributes which could potentially be mined for up to 100 years. By adopting low impact and sustainable mining solutions, we can effectively reduce our environmental impact during operations. An illustrative process flow diagram is shown below.

Low impact mining to minimise environmental impact



Rehabilitation

Rehabilitation is an integral component in the lifecycle of a mine. VRX is committed to restoring the pre-mining conditions as closely as possible to support the future sustainability of our sites.

We have developed a progressive method Vegetation Direct Transfer ("VDT") to rehabilitate disturbed flora and ensure a minimal impact on the native vegetation at our mine sites. It involves using a modified front-end loader to carefully lift and remove a 400-mm deep, 3 x 3m square sod from areas that are set to be mined for silica sand and relocate to an area just mined. With the root structures in the loose sand relatively shallow at 200-300 mm in depth, the VDT method enables the topsoil containing the vast majority of native flora and invertebrate fauna preserved and near-surface humus and its microbial contents to remain intact. The technique lends itself to rapid and extensive regeneration of affected areas based on continuous rehabilitation as silica sand mining progresses. In addition, VRX's low-impact approach to silica sand mining means that only few non-toxic chemicals will be used in our production process and minimal dust will be produced during mining activities. We will undertake mining in block sections (typically 150 x 150 m) with an estimated five blocks mined per year. We are also deploying innovative new measures to ensure that any vegetation removed during our mining activities can be used for continuous rehabilitation. A video of the VDT method is available at: [vrxsilica.com.au/miningandrehabilitationmethodology.](vrxsilica.com.au/miningandrehabilitationmethodology)

Priority, threatened and endangered species (flora and fauna)

Preserving biodiversity and protecting native wildlife are essential throughout all stages of our mining projects. VRX has undertaken a wide-ranging review of available technical reports, relevant databases and spatial data to identify the potential flora and vegetation that may be present at each of the projects.

Ecological studies completed / in progress

Project	Studies
Arrowsmith North	Environmental Review Document: • Flora and vegetation assessment • Dieback assessment • Fauna assessment • Short range endemic invertebrate surveys • Detailed baseline flora evaluation of high-definition aerial photography • Carbon life cycle analysis for estimated greenhouse gas emissions • Respirable silica analysis • Radiation activity analysis
Arrowsmith Central	Environmental Scoping Document: • Flora and fauna studies • Dieback assessment • Short range endemic invertebrate surveys • Carbon life cycle analysis for estimated greenhouse gas emissions • Respirable silica analysis • Radiation activity analysis
Muchea	• Springtime flora and vegetation study • Respirable silica analysis
Boyatup	• Flora and fauna desktop studies

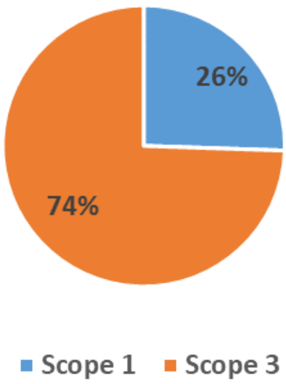
VRX will manage the application of the mitigation hierarchy in the proposal design, construction, operations and closure. Specific, measurable, achievable, realistic and time-bound actions will be undertaken to minimise and mitigate environmental impacts. Where significant residual impacts remain, propose an appropriate offsets package that is consistent with the WA Environmental Offsets Policy and Guidelines and the EPBC Act Environmental Offsets Policy.

The Company will undertake detailed surveys of proposed project areas to identify potential presence of endangered or threatened species. This will enable the assessment of the potential direct and indirect impacts on such species during construction and operational phrases. To reduce feral animal populations, we will explore development of a ranger program across our project sites. VRX will endeavour to protect terrestrial fauna so that biological diversity and ecological integrity are maintained.

Environmental permitting

VRX has conducted extensive environmental studies and assessments over our silica sand projects in accordance with the requirements of the State and Federal environmental regulations. In FY22, we lodged a draft Environmental Scoping Document ("ESD") for Arrowsmith North to the EPA that defines the form, content, timing and procedure of the environmental review. The EPA approved the ESD in March 2022, after which VRX lodged the Environmental Review Document ("ERD")[5] which includes a comprehensive summary of project environmental setting, physical elements of the mine and infrastructure, operational elements, extent of environmental impacts and the proposed rehabilitation and closure plan. The indicative timetable for Arrowsmith sees final EPA approval in December 2022, with the six-month construction phase scheduled to commence in January 2023. This year, we also lodged a referral and ESD[6] for Arrowsmith Central. We are confident that we have addressed the environmental principles, factors and objectives of the assessment guidelines.

Greenhouse gas emissions



VRX is focused on reducing our carbon footprint by reducing GHG emissions at our future mine sites. We are investigating a number of ways to reduce our Scope 1, 2 and 3 carbon emissions.In 2021, we engaged external consultants to assist with project approval processes as well as GHG emissions estimation at Arrowsmith North. The assessment showed that during Arrowsmith's 30-year lifespan – assuming it will produce 1 million tonnes of silica per annum ("Mtpa") for the first three years rising to 2 Mtpa thereafter – the project will generate a total 583,330 tonnes of carbon dioxide equivalent ("tCO2-e") of Scope 1 GHG emissions, equating to an average of 19,444 tonnes annually. Estimated Scope 3 GHG emissions total 1,701,255 tCO2-e, predominately from shipping our product to Asia, equates to an average of 56,708 tonnes annually. No Scope 2 GHG emissions are anticipated from the consumption of grid-sourced electricity.

[5] Documentation provided to the WA EPA on our Arrowsmith North silica sand project is available at: https://www.epa.wa.gov.au/proposals/arrowsmith-north-silica-sand-project

[6] Documentation provided to the WA EPA on our Arrowsmith Central silica sand project is available at: https://www.epa.wa.gov.au/proposals/arrowsmith-central-silica-sand-project

The primary sources of Scope 1 GHG emissions for the project will be the consumption of electricity and diesel to operate the plant and machinery. Electricity will be initially generated on site through the construction of a gas-fired power station, working with local liquefied natural gas suppliers for power generation. To reduce emissions further, VRX is investigating the potential for deploying a hybrid on-site gas-fired, solar and wind power plant and short-term battery storage. To utilise geothermal energy in our operations, VRX has applied for Geothermal Exploration Permits at Arrowsmith North and Arrowsmith Central. These actions demonstrate our commitment to harness green energy and reduce carbon emissions in our projects.

Social pillar

As part of our social licence to operate, we strive to develop and maintain strong community and stakeholder relationships. To support local communities, we offer local employment and contracting opportunities where possible.

Health and safety, wellbeing

Guided by our Health, Safety & Wellbeing Policy, VRX will adopt the highest industry standards when planning and operating to ensure the safety and wellbeing of its employees and contractors. The Company will ensure adequate training for all personnel to operate in a safe and efficient manner.

We have been preparing processing plant operating manuals to manage safety risks in our operations. During the preparation of the manual, a workshop was conducted with our multi-discipline team to identify potential hazards related to design, constructability, installation, and maintenance. This was followed by a Hazard and Operability Study to identify operational issues that may be a risk to personnel or equipment. The results of the workshop and study will be adopted in our Plant Operating Manual.

The Company has had no reportable incidents or accidents to date including in the last year.

Employees	Number / Rate[7]
Number of fatalities from work related injury	0
Total Lost time injuries frequency rate	0
Total recordable injuries	0
Total recordable injuries frequency rate	0

Indigenous relations

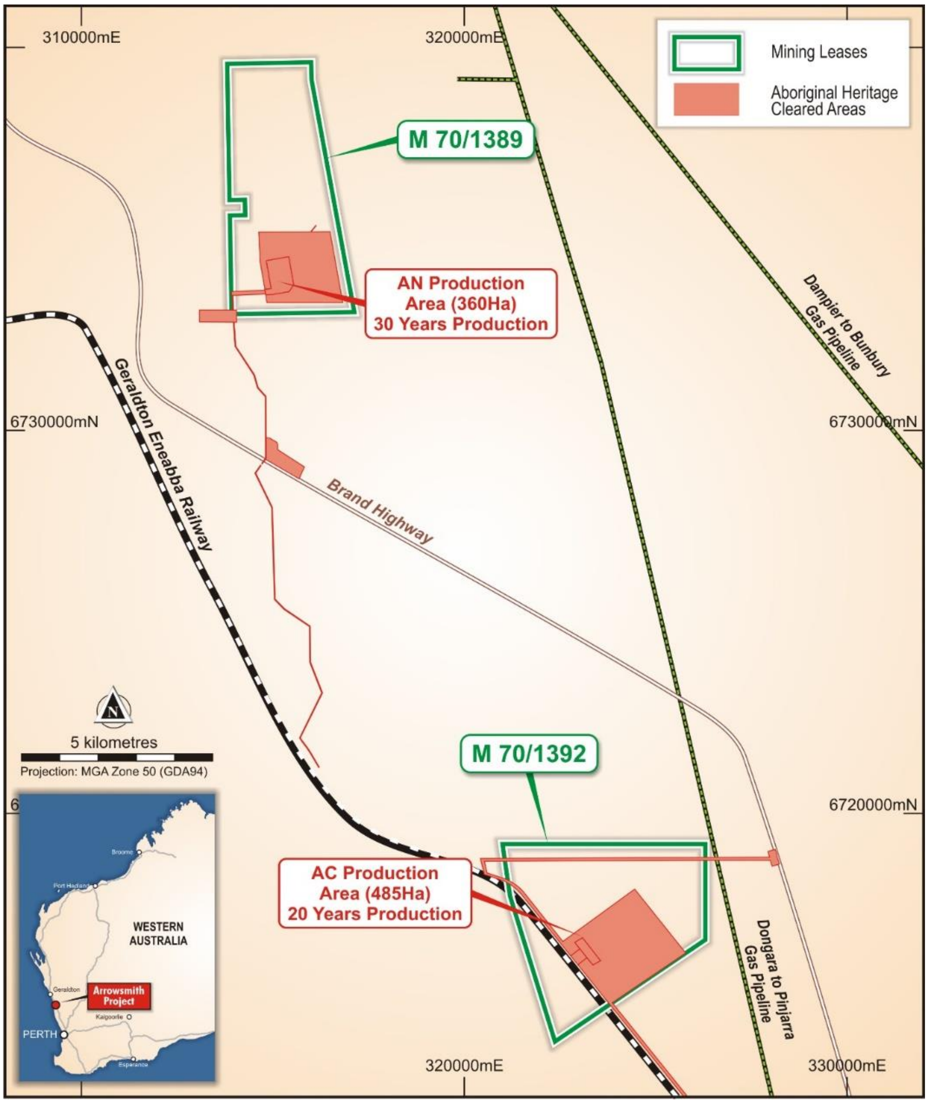
A number of Aboriginal groups are the custodians for the land on which our projects are located in Western Australia. We are committed to engaging with these communities and their representatives to ensure they are kept fully informed about our developing operations and have the opportunity to be involved in our plans and benefit from our success. Our Indigenous Community Policy formalises our commitment to uphold and respect human rights of indigenous peoples. As part of our commitment to local and indigenous employment, we anticipate offering employment and contract opportunities to local indigenous communities in the vicinity of our projects and to support the ranger programs associated with our project areas.

[7] Rate calculation is per 1,000,000 hours of work.

Aboriginal heritage

VRX is committed to understanding the Aboriginal heritage values and significance of the land on which we operate. To date, VRX has undertaken several comprehensive archaeological and ethnographic heritage surveys at our operations in accordance with requirements set out in Western Australia's Environmental Protection Act 1986 and Aboriginal Heritage Act 1972. This helps us ensure we respect and protect the land and that our operations have as minimal impact and disruption as possible.

This year, Aboriginal heritage and ethnographic surveys have been completed at our Arrowsmith North and Arrowsmith Central Silica Sand Projects with representatives of the Yamatji Southern Regional Corporation ("YSRC") and a national heritage management firm. The survey findings confirmed that all proposed long-term mining and associated infrastructure areas are clear for the upcoming mining works. These areas include 30 years of mining at the 360ha Arrowsmith North mine disturbance envelope and 20 years of mining at the 485ha Arrowsmith Central mine disturbance envelope.



Mining Leases and Aboriginal Heritage Cleared Areas

In July 2021, we commissioned Horizon Heritage Management to undertake a comprehensive assessment of known and likely Aboriginal heritage values and traditional uses within our Arrowsmith North Project area. The assessment identified registered Aboriginal heritage sites (including those of high value for bush tucker and bush medicine and those of ethnographical or archaeological value), provided a contextual assessment of the general Aboriginal heritage values of the area, and made recommendations on ways of minimising our impacts on Aboriginal heritage.

A comprehensive Aboriginal Heritage Survey has been conducted over the 30-year mining envelope at Arrowsmith North. The survey found no previously unrecorded Aboriginal archaeological sites, which is consistent with previous recordings in the area. There are no recorded heritage features in the survey area requiring action or management.

YSRC participants, national heritage management firm and VRX representatives during the Aboriginal heritage survey at Arrowsmith Central

Governance

High standards of corporate governance are an essential prerequisite for creating sustainable value for stakeholders.

Economic performance

At all times the Company will endeavour to maintain a product yield, quality and quantity and operating cost that will maximise the economic potential of the sales of product from the projects.

FY22 contribution

- Goods and service supplier purchases = $5,495,327
- Wage spend = $690,000
- Taxes = $34,487
- Royalties = Nil
- State and Shire Rent = $226,123

Corporate governance

Ethical behaviour at VRX is guided by our Corporate Code of Conduct. The purpose of the Code is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and for a duty of care to all employees, clients and stakeholders. The Code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The Corporate Governance Statement sets out the Company's main corporate governance policies and practices. All VRX policies and practices are reported against the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Summary of policies and responsibilities:

Pillar	Policies	Board/Committee	Executive/Manager responsible
Environmental	Environmental Policy	Board	Managing Director
Social	Diversity Policy	Board	Managing Director
	Indigenous Community Policy	Board	Managing Director
	Health and Wellbeing Policy	Board	Company Secretary
Governance	Corporate Code of Conduct	Board	Chairman
	Shareholder Communication	Board	Managing Director
	Trading Policy	Board	Company Secretary
	Disclosure Policy	Board	Managing Director
	Whistleblower Policy	Board	Company Secretary
	Anti-bribery and Anti-corruption Policy	Board	Chairman

There has been no breach of regulations or compliance by VRX during 2022.

Risk management

Risk is managed at VRX by the full Board of Directors as, due to the size and limited resources, the Company does not have a separately constituted Audit and Risk Committee. VRX's policies and practices are reported against the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. More information can be found in Corporate Governance Plan found on the VRX website. The Board oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements. Other statutory and fiduciary responsibilities include:

- Compliance with all applicable laws, regulations and company policy.
- The effectiveness and adequacy of internal control processes.
- Identification and management of business, economic, environmental and social sustainability risks
- Review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.
- Review reports by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes:

- Identify and measure risks that might impact upon the achievement of the Company's goals and objectives.
- Monitor the environment for emerging factors and trends that affect these risks.

- Formulate risk management strategies to manage identified risks
- Design and implement appropriate risk management policies and internal controls.

Monitor the performance of, and improve the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

Anti-bribery and corruption

Corrupt conduct involves the dishonest or partial use of power or position which results in one person/group being advantaged over another. Corruption can take many forms including, but not limited to official misconduct, bribery and blackmail, unauthorised use of confidential information, fraud and theft. Guided by our Anti-Bribery and Corruption Policy, we do not tolerate any form of corrupt conduct. Disciplinary actions up to and including dismissal will be taken in the event of any employee participating in corrupt conduct. The Company will continue to implement measures deemed appropriate to uphold the highest standard of business ethics.

Whistleblower policy

VRX's Whistleblower Policy applies to all entities within the Company. It allows all employees, directors, contractors, suppliers, associates, consultants the ability to raise concerns regarding any misconduct or unlawful, unethical or irresponsible behaviour without being subject to victimisation, harassment or discriminatory treatment. This policy is reviewed every two years to ensure it remains consistent with all relevant legislative requirements, as well as the changing nature of the organisation.

Customer risk & production quality

The Company is cognisant that the quality of the products will determine the selling price and future contracts. The Company's approach is to provide a better quality product than the specification requires for sales without compromising yield and operating costs. This will avoid quality disputes, compromised contracts and general branding in the industry.

The Company will also undertake adequate metallurgical testwork to ensure that the process circuit design will provide the quality of product that the customer requires

VRX supply chain

VRX engages a variety or suppliers and contractors (as both businesses and individuals) to provide various services at our operations, exploration projects and offices. A breakdown of this is outlined below.

Exploration

- Drilling contractors
- Environmental consultants

Development

- Metallurgical
- Process design
- Design engineering

Corporate & Admin

- Auditors
- Legal
- IT and Communications
- Logisitics

Reporting Frameworks

The VRX Sustainability Report will annually capture and report publicly on the Company's economic, environmental and social impacts, and hence its contributions, both positive and negative, towards the goal of sustainable development. It covers all projects owned and operated by VRX and all monetary values in this Report are in Australian dollars ($A or AUD).

VRX has also adopted a 'think global, act local' approach to selecting frameworks against which to inform our sustainability planning and against which to measure our progress. We commit to regularly updating our stakeholders on our ESG performance to ensure we remain a responsible investment opportunity.

Whilst we are in project development phase, we have chosen to benchmark our performance against the recommendations of the following two organisations.

United Nations: Sustainable Development Goals ("SDGs")

The SDGs promote action in areas that are critical to ending poverty, protecting the environment and improving the prosperity of all people through economic, social and technological progress. The goals are relevant for all countries and sectors of society, including business, and will enable VRX to tailor its approach to best serve the Company's stakeholders.

Below are the actions that our Board and Leadership Team are taking to make a positive contribution to the 17 SDGs and the way in which we plan to measure the meaningful progress being made towards them.

VRX is aligning our activities with seven SDGs

CLEAN ENERGY	ECONOMIC GROWTH	INDUSTRY INNOVATION	SUSTAINABLE COMMUNITIES	RESPONSIBLE PRODUCTION	CLIMATE ACTION	REHABILITATION PLAN
Utilising reliable, renewable modern energy	Enhancing economic and productive employment	Building resilient infrastructure and fostering innovation	Respecting heritage values	Employing sustainable mining methods	Reducing emissions from production	Employing direct vegetation transfer as a unique rehabilitation method

World Economic Forum ("WEF"): Stakeholder Capitalism Framework

In partnership with global accounting firms, the WEF has identified a set of global, cross-industry baseline disclosures and metrics for companies to use to analyse their ESG performance and regularly communicate this to their stakeholders.

Disclosures are drawn from existing voluntary standards including the Global Reporting Initiative, the Sustainability Accounting Standards Board and the Financial Stability Board's Task Force on Climate-Related Financial Disclosures. They are grouped under four pillars that are considered the most critical for business, society and the planet. The WEF framework is a logical and appropriate starting point for VRX as we begin our ESG journey.

Our adoption of the WEF framework has already highlighted a number of ESG opportunities across our operations, including the integration of solar panels and battery storage capacity into power generation and our purpose-built VDT method to rapidly and continuously regenerate vegetation that is disturbed during our operations (see below). These two initiatives reflect VRX's commitment to reducing our environmental footprint and building sustainable outcomes for our stakeholders.

Our performance against the framework in FY22 can be found in Appendix to this report.

Appendix: World Economic Forum – Stakeholder Capitalism Index

WEF key data/question	Current status	Start date target	Disclosure target
The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	VRX's ESG commitment is We are committed to creating a sustainable, low-impact environmental legacy and positive benefits for our communities.	**Completed**	**Disclosed FY22**
Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Partial. See diversity section of the VRX Corporate Governance Statement. The Company has established a Diversity Policy but because of its size and limited resources, positions are selected on the best available candidate. Outstanding disclosures: competencies relating to economic, environmental and social topics; membership of under-represented social groups; stakeholder representation.	**FY23**	**FY24**
A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Disclosed in the Sustainability at VRX section of this Sustainability Report	**Completed**	**Disclosed FY22**
Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year but related to previous years; and b) Total number and nature of incidents of corruption.	Employees are required to sign the Code of Conduct. VRX has not had any incidents of corruption in the past year or in any previous years.	**Completed**	**Disclosed FY22**
Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Employees are required to sign the Code of Conduct. Operating in Australian jurisdiction there is a low risk of corruption	**Completed**	**Disclosed FY22**
A description of internal and external mechanisms for seeking advice about ethical and lawful behaviour and organizational integrity.	The VRX Anti- Bribery and Corruption policy has guidance on behaviour in Section 10 of the Corporate Governance Plan. VRX's whistleblower policy allows all employees, directors, contractors, suppliers, associates, consultants the ability to raise concerns regarding any misconduct or unlawful, unethical or irresponsible behaviour without being subject to victimisation, harassment or discriminatory treatment. As a reasonably small business, all VRX managers and board members are available to employees and contractors to discuss any ethical concerns.	**Completed**	**Disclosed FY22**

WEF key data/question	Current status	Start date target	Disclosure target
A description of internal and external mechanisms for reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.	VRX's whistleblower policy allows all employees, directors, contractors, suppliers, associates, consultants the ability to raise concerns regarding any misconduct or unlawful, unethical or irresponsible behaviour without being subject to victimisation, harassment or discriminatory treatment. As a reasonably small business, all VRX managers and board members are available to employees and contractors to discuss any ethical concerns.	**Completed**	**Disclosed FY22**
A description of principal material risks and opportunities facing the company specifically (as opposed to generic sector risks)	Risks are outlined in the FY22 VRX Annual Report	**Completed**	**Disclosed FY22**
A description of the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes.	Risks are outlined in the FY22 VRX Annual Report	**Completed**	**Disclosed FY22**
For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in tCO_2e GHG Protocol Scope 1 and Scope 2 emissions.	Emissions are immaterial to VRX until development and construction begins. We have forecasted our emissions in the Greenhouse Gas Emissions section of this Sustainability Report	**When construction begins**	**Forecast disclosed FY22**
Fully implement the recommendations of the TCFD. If necessary, disclose a timeline of at most three years for full implementation.	Emissions are immaterial to VRX until development and construction begins. Outstanding disclosures: Implementation or roadmap towards the recommendations of the TCFD	**FY23**	**FY26**
Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas ("KBA").	Muchea project is in an Environmentally Sensitive Area, the Mining Lease at Muchea M70/1390, 1,008Ha. No other projects are considered at a KBA.	**Completed**	**Disclosed FY22**
Megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool.	Water usage is immaterial to VRX until development and construction begins.	**When construction begins**	**When construction begins**
Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	Given the minimal nature of current employment at VRX, diversity is immaterial to VRX until development and construction begins.	**When construction begins**	**When construction begins**
Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Given the minimal nature of current employment at VRX, salary and remuneration will not become material until the hiring phase of development and construction	**When construction begins**	**When construction begins**
Ratios of standard entry level wage by gender compared to local minimum wage.	Given the minimal nature of current employment at VRX, salary and remuneration will not become material until the hiring phase of development and construction	**When construction begins**	**When construction begins**

WEF key data/question	Current status	Start date target	Disclosure target
Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	Given the minimal nature of current employment at VRX, salary and remuneration will not become material until the hiring phase of development and construction	**When construction begins**	**When construction begins**
An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour.	As VRX is domiciled in and only operates in Australia, there is a very low risk of incidents of child labour, forced or compulsory labour.	**Completed**	**Disclosed FY22**
The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.	There were zero fatalities, injuries, incidents or accidents in FY22.	**Completed**	**Disclosed FY22**
An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	VRX does not currently facilitate workers' access to non-occupational medical and healthcare services	**Completed**	**Disclosed FY22**
Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).	Given the minimal nature of current employment at VRX, training hours will not become material until the hiring phase of development and construction	**Completed**	**Disclosed FY22**
Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Given the minimal nature of current employment at VRX, training and development expenditure will not become material until the hiring phase of development and construction	**Completed**	**Disclosed FY22**
Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.	There were one new employees hired in FY22	**Completed**	**Disclosed FY22**
Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	There was zero employee turnover in FY22	**Completed**	**Disclosed FY22**
Direct economic value generated and distributed ("EVG&D"), on an accruals basis, covering the basic components for the organization's global operations	Disclosed in Economic Performance section of this Sustainability Report	**Completed**	**Disclosed FY22**
Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	No financial assistance was received from the government.	**Completed**	**Disclosed FY22**
Total capital expenditures ("CapEx") minus depreciation, supported by narrative to describe the company's investment strategy.	$360,000 in FY22	**Completed**	**Disclosed FY22**
Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	Given there was no revenue generate or dividends paid and there are not likely to until production begins, a supporting strategy will not become material until then	**Completed**	**Disclosed FY22**

WEF key data/question	Current status	Start date target	Disclosure target
Total costs related to research and development.	$1,300,000 in FY22	**Completed**	**Disclosed FY22**
The total global tax borne by the company.	Total tax paid was $34,487 (Payroll and FBT)	**Completed**	**Disclosed FY22**

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2022.

DIRECTORS

The names of the directors of the Company in office during the financial year and up to the date of this report are as follows:

Paul Boyatzis
Bruce Maluish
Peter Pawlowitsch
David Welch (appointed 1 September 2021)

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

Paul Boyatzis, B Bus, AICD, MSDIA, ASA, CPA – Non-Executive Chairman

Mr Boyatzis has over 30 years' experience in the investment, corporate and capital markets and an extensive working knowledge of public companies. He has advised numerous emerging companies on a broad range of corporate and strategic issues and assisted in raising significant investment capital both locally and overseas.

Mr Boyatzis is a current member of the Australian Institute of Company Directors, the Securities and Derivative Industry Association of Australia and a member of CPA Australia.

Director since 24 September 2010.

During the past three years Mr Boyatzis has held the following other listed company directorships:

- Nexus Minerals Ltd – 6 October 2006 to present
- Aruma Resources Ltd – 5 January 2010 to present

Bruce Maluish, BSc (Surv), Dip Met Min – Managing Director

Mr Maluish has more than 30 years' experience in the mining industry with numerous roles as Managing Director and General Manager with companies such as the Monarch Group of Companies, Matilda Minerals, Abelle, Hill 50 and Forsyth Mining, while mining a variety of commodities from gold, nickel and mineral sands from both open pits and underground.

His management and administrative experience include the set up and marketing of IPOs, from commencement of exploration to full production, to the identification, development and expansion of projects including mergers and acquisitions.

His international experience includes identification of projects and negotiations with clients in Asian markets.

His qualifications include credentials in Surveying, Mining, Project Planning and Finance

Director since 24 September 2010.

During the past three years Mr Maluish has held the following other listed company directorships:

- Nexus Minerals Ltd – 1 July 2015 to present

Peter Pawlowitsch, B.Com, MBA, CPA, FGIA – Non-Executive Director

Mr Pawlowitsch holds a Bachelor of Commerce from the University of Western Australia, is a member of the Certified Practising Accountants of Australia, a fellow of the Governance Institute and holds a Master of Business Administration from Curtin University.

These qualifications have underpinned more than 15 years' experience in the accounting profession and more recently in business management and the evaluation of businesses and mining projects.

Director since 12 February 2010.

During the past three years Mr Pawlowitsch has held the following other listed company directorships:

- Dubber Corporation Limited – 26 September 2011 to present
- Knosys Limited – 16 March 2015 to 8 December 2021
- Novatti Group Limited – 19 June 2015 to present
- Family Zone Cyber Safety Limited – 24 September 2019 to present

David Welch, B.Com – 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 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.

Director since 1 September 2021.

During the past three years Mr Welch has held the following other listed company directorship:

- Brockman Mining Limited – 15 October 2019 to present

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors (direct and indirect) in the shares and options of VRX Silica Limited were:

Paul Boyatzis
- 5,180,000 ordinary fully paid shares
- 3,900,000 options expiring 31 August 2024, exercisable at 30 cents each

Bruce Maluish
- 13,810,535 ordinary fully paid shares
- 5,400,000 options expiring 31 August 2024, exercisable at 30 cents each

Peter Pawlowitsch
- 23,841,769 ordinary fully paid shares
- 3,000,000 options expiring 31 August 2024, exercisable at 30 cents each

David Welch
- No interests in shares
- 3,000,000 options expiring 31 August 2024, exercisable at 30 cents each

COMPANY SECRETARY

Ian Hobson (appointed 1 January 2022)

Mr Hobson holds a Bachelor of Business degree and is a Chartered Accountant and Chartered Company Secretary with 35 years' experience in the profession. Mr Hobson provides company secretary services and corporate, management and accounting advice to a number of listed public companies.

John Geary (resigned 1 January 2022)

Mr Geary has forty years' experience in the mineral exploration industry in Australia and overseas. His experience includes prospecting and the evaluation, acquisition, maintenance and compliance requirements associated with mining tenements.

He has been actively engaged in the planning and implementation of many exploration programmes and his experience as a contract driller has enabled him to recognise and identify potential resource value.

He has been involved in the promotion, prospectus preparation and listing of a number of exploration companies (IPO's) on the Australian Securities Exchange. He has held the position of Executive Director and Company Secretary for a number of ASX listed exploration companies in recent years.

CORPORATE INFORMATION

Corporate Structure

VRX Silica Limited is a limited liability company that is incorporated and domiciled in Australia. VRX Silica Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

VRX Silica Ltd	-	parent entity
Ventnor Mining Pty Ltd	-	100% owned controlled entity
VRX Boyatup Pty Ltd	-	100% owned controlled entity
VRX Midwest Pty Ltd (formerly Ventnor Pilbara Pty Ltd)	-	100% owned controlled entity
Wisecat Pty Ltd	-	100% owned controlled entity

Nature of Operations and Principal Activities

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

OPERATING AND FINANCIAL REVIEW

Review of Operations

A review of operations for the financial year and the results of those operations is contained within the company review.

Operating Results

Consolidated loss after income tax for the financial year was $5,033,274 (2021: $1,089,611).

Financial Position

At 30 June 2022, the Group had net assets of $21,389,584 (2021: $20,053,981) with cash reserves of $9,305,877 (2021: $10,442,067).

Financing and Investing Activities
The Company issued the following securities during the year:
- 21,226,543 ordinary fully paid shares on the exercise of listed options at 18 cents each to raise $3,820,778;
- 1,025,000 ordinary fully paid shares on the exercise of options at 9 cents each to raise $92,250; and
- 5,250,000 ordinary fully paid shares on the exercise of options at 10 cents each to raise $525,000.

Dividends
No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed in the company review.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than outlined in the company review which is contained in this Annual Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the projects as more particularly outlined in the company review. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors Meetings	
	Number Eligible to Attend	**Number Attended**
P Boyatzis	4	4
B Maluish	4	4
P Pawlowitsch	4	4
D Welch	3	3

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of VRX Silica Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term “executive” includes those key management personnel who are not directors of the parent company.

Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

Use of Remuneration Consultants

During the financial year ended 30 June 2022, the consolidated entity did not engage any remuneration consultants.

The remuneration report is set out under the following main headings:

- Remuneration policy
- Remuneration structure
- Employment contracts of directors and senior executives
- Details of remuneration for year
- Compensation options to key management personnel
- Shares issued to key management personnel on exercise of compensation options
- Additional disclosures relating to key management personnel

A. Remuneration policy

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors’ fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors’ interests with shareholders’ interests, the directors are encouraged to hold shares in the Company.

The Company’s aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the Company.

The executive directors and full-time executives receive a superannuation guarantee contribution required by the government, which was 10% for the financial year ended 30 June 2022 and increased to 10.5% effective 1 July 2022, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

B. Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved by shareholders was an aggregate compensation of $250,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:
- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Fixed Remuneration
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives
The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTI's) granted to directors/ executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

C. Employment contracts of directors and senior executives

Remuneration and other terms of employment for some key management personnel are formalised in service agreements. Details of these agreements are as follows:

Bruce Maluish	**Managing Director**
Agreement type:	Employment agreement
Agreement commenced:	22 February 2011
Term of Agreement:	Two years or such later date as agreed with the Board.
Remuneration:	Base annual salary for the financial year of $350,000 (inclusive of statutory superannuation), reviewed annually. Base annual salary as from 1 July 2022 of $367,500 (inclusive of statutory superannuation).
Termination notice:	Three months termination notice by either party.

D. Details of remuneration for year

Directors

The following persons were directors of VRX Silica Limited during the current and previous financial years:

Paul Boyatzis	Chairman (non-executive)
Bruce Maluish	Director (executive)
Peter Pawlowitsch	Director (non-executive)
David Welch	Director (non-executive) appointed 1 September 2021

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

Remuneration

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

Director	Year	Short Term Benefits	Post Employment	Share Based Payments	Total
		Salary and Fees $	Superannuation $	Options $	$
P Boyatzis	**2022** 2021	**72,000** 66,000	**-** -	**172,442** -	**244,442** 66,000
B Maluish	**2022** 2021	**322,500** 287,500	**27,500** 24,375	**238,766** -	**588,766** 311,875
P Pawlowitsch	**2022** 2021	**49,091** 42,922	**4,909** 4,078	**132,647** -	**186,647** 47,000
D Welch	**2022** 2021	**45,000** -	**-** -	**132,647** -	**177,647** -
Total	**2022** 2021	**488,591** 396,422	**32,409** 28,453	**676,502** -	**1,197,502** 424,875

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Director	Year	Fixed Remuneration	At risk - STI	At risk - LTI
P Boyatzis	**2022** 2021	**29%** 100%	**-** -	**71%** -
B Maluish	**2022** 2021	**59%** 100%	**-** -	**41%** -
P Pawlowitsch	**2022** 2021	**29%** 100%	**-** -	**71%** -
D Welch	**2022** 2021	**25%** -	**-** -	**75%** -

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options, however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

E. Compensation options to key management personnel

The following options were granted as equity compensation benefits to Directors and Executives. The options were issued free of charge and vest on various dates. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at various exercise prices with various expiry dates.

Director	Grant Date	Number Granted	Fair Value per Option at Grant Date	Exercise price per Option	First exercise date	Last exercise date
Options Vesting on Issue:						
P Boyatzis	29/11/21	1,300,000	$0.0555	$0.300	8/12/21	31/08/24
B Maluish	29/11/21	1,800,000	$0.0555	$0.300	8/12/21	31/08/24
P Pawlowitsch	29/11/21	1,000,000	$0.0555	$0.300	8/12/21	31/08/24
D Welch	29/11/21	1,000,000	$0.0555	$0.300	8/12/21	31/08/24
Options Vesting on 30 June 2022:						
P Boyatzis	29/11/21	1,300,000	$0.0557	$0.300	30/06/22	31/08/24
B Maluish	29/11/21	1,800,000	$0.0557	$0.300	30/06/22	31/08/24
P Pawlowitsch	29/11/21	1,000,000	$0.0557	$0.300	30/06/22	31/08/24
D Welch	29/11/21	1,000,000	$0.0557	$0.300	30/06/22	31/08/24
Options Vesting on 30 June 2023:						
P Boyatzis	29/11/21	1,300,000	$0.0582	$0.300	30/06/23	31/08/24
B Maluish	29/11/21	1,800,000	$0.0582	$0.300	30/06/23	31/08/24
P Pawlowitsch	29/11/21	1,000,000	$0.0582	$0.300	30/06/23	31/08/24
D Welch	29/11/21	1,000,000	$0.0582	$0.300	30/06/23	31/08/24
Total		**15,300,000**				

F. Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors and Executives on exercise of compensation options during the year.

G. Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Director	Balance 01/07/21	Received as Remuneration	Shares Issued on Exercise of Options	Acquired/ (disposed)	Net Change Other	Balance 30/06/22
P Boyatzis	5,180,000	-	-	-	-	5,180,000
B Maluish	13,810,535	-	-	-	-	13,810,535
P Pawlowitsch	23,841,769	-	-	-	-	23,841,769
D Welch	-	-	-	-	-	-
Total	**42,832,304**	**-**	**-**	**-**	**-**	**42,832,304**

Option Holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Director	**Balance 01/07/21**	**Received as Remuneration**	**Options Exercised**	**Options Expired**	**Net Change Other**	**Balance 30/06/22**
P Boyatzis	3,000,000	3,900,000	-	(3,000,000)	-	3,900,000
B Maluish	5,000,000	5,400,000	-	(5,000,000)	-	5,400,000
P Pawlowitsch	3,000,000	3,000,000	-	(3,000,000)	-	3,000,000
D Welch	-	3,000,000	-	-	-	3,000,000
Total	**11,000,000**	**15,300,000**	**-**	**(11,000,000)**	**-**	**15,300,000**

H. Other transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year, the Company subleased office space for $40,569 (2021: $29,414) to Aruma Resources Limited, a company Mr Paul Boyatzis is a director of.

At 30 June 2022, the Group had an outstanding receivable of $11,305 (2021: $8,142) from Aruma Resources Limited, a company Mr Paul Boyatzis is a director of.

I. Voting and comments made at the Company's last Annual General Meeting ('AGM')

At the 2021 AGM, 69.6% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

J. Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2022 $	**2021 $**	**2020 $**	**2019 $**	**2018 $**
Revenue	56,901	1,356,599	73,665	96,228	75,384
EBITDA	(4,938,719)	(1,017,793)	(2,309,541)	(6,015,965)	(1,780,193)
EBIT	(5,023,246)	(1,081,357)	(2,360,768)	(6,017,950)	(1,781,477)
Loss after income tax	(5,033,274)	(1,089,611)	(2,366,217)	(6,017,950)	(1,781,477)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	**2021**	**2020**	**2019**	**2018**
Share price at financial year end ($)	0.13	0.22	0.09	0.09	0.07
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(0.91)	(0.23)	(0.55)	(1.69)	(0.75)

[THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED]

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

SHARE OPTIONS

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 4,000,000 options expiring 30 November 2022, exercisable at 9 cents each
- 2,500,000 options expiring 23 October 2023, exercisable at 15 cents each
- 28,800,000 options expiring 31 August 2024, exercisable at 30 cents each

During the year options were issued as follows:

- 28,800,000 options exercisable at 30 cents each on or before 31 August 2024

During the year the following options were exercised:

- 21,226,543 listed options expiring 31 July 2021, exercised at 18 cents each
- 1,025,000 options expiring 30 November 2021, exercised at 9 cents each
- 5,750,000 options expiring 30 November 2021, exercised at 10 cents each

During the year the following options expired:

- 11,000,000 options exercisable at 21.7 cents each expired on 30 November 2021

Subsequent to year end and up to the date of this report, no other options have been issued or exercised and no options have expired.

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

LEGAL PROCEEDINGS

The Company was not a party to any legal proceedings during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

ENVIRONMENTAL REGULATIONS

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

CORPORATE GOVERNANCE

Under ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be located at the URL on the Company's website being: https://vrxsilica.com.au/investor-centre/corporate-governance/

AUDITOR

RSM Australia Partners continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Bruce Maluish
Director
Perth, 30 September 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated 2022	Consolidated 2021
		$	$
Continuing operations			
Revenue	2(a)	**56,901**	1,356,599
Exploration and evaluation expenditure	11	**(760,580)**	(510,511)
Depreciation		**(84,527)**	(63,564)
Directors fees and benefits expense		**(521,000)**	(424,875)
Finance costs		**(10,028)**	(8,254)
Loss on revaluation of equity instruments		**(312,500)**	(156,250)
Share based payments	23	**(1,930,849)**	(49,416)
Other expenses	2(b)	**(1,470,691)**	(1,233,340)
Loss before income tax expense		**(5,033,274)**	(1,089,611)
Income tax expense	3	**-**	-
Net loss for the year		**(5,033,274)**	(1,089,611)
Other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive loss attributable to the members of VRX Silica Limited		**(5,033,274)**	(1,089,611)
Earnings per share attributable to the members of VRX Silica Limited		**Cents**	**Cents**
Basic/diluted loss per share	5	**(0.91)**	(0.23)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	Consolidated 2022	2021
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**9,305,877**	10,442,067
Trade and other receivables	7	**236,910**	254,973
Total Current Assets		**9,542,787**	10,697,040
Non-Current Assets			
Trade and other receivables	7	**26,171**	26,111
Financial assets at fair value through profit or loss	8	**781,250**	1,093,750
Plant and equipment	9	**431,669**	10,802
Right-of-use assets	10	**179,558**	251,381
Deferred exploration expenditure	11	**11,951,536**	8,803,987
Total Non-Current Assets		**13,370,184**	10,186,031
Total Assets		**22,912,971**	20,883,071
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**1,146,269**	395,617
Provisions	13	**188,928**	178,232
Lease liabilities	14	**71,676**	67,051
Total Current Liabilities		**1,406,873**	640,900
Non-Current Liabilities			
Lease liabilities	14	**116,514**	188,190
Total Non-Current Liabilities		**116,514**	188,190
Total Liabilities		**1,523,387**	829,090
Net Assets		**21,389,584**	20,053,981
EQUITY			
Issued capital	16	**49,906,519**	45,468,491
Reserves	17	**6,522,408**	4,591,559
Accumulated losses	15	**(35,039,343)**	(30,006,069)
Total Equity		**21,389,584**	20,053,981

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

Consolidated	Issued Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
2022				
Balance at 1 July 2021	**45,468,491**	**4,591,559**	**(30,006,069)**	**20,053,981**
Loss for the year	**-**	**-**	**(5,033,274)**	**(5,033,274)**
Total comprehensive loss for the year	**-**	**-**	**(5,033,274)**	**(5,033,274)**
Securities issued during the year	**4,438,028**	**-**	**-**	**4,438,028**
Cost of share based payments	**-**	**1,930,849**	**-**	**1,930,849**
Balance at 30 June 2022	**49,906,519**	**6,522,408**	**(35,039,343)**	**21,389,584**
2021				
Balance at 1 July 2020	34,534,694	4,542,143	(28,916,458)	10,160,379
Loss for the year	-	-	(1,089,611)	(1,089,611)
Total comprehensive loss for the year	-	-	(1,089,611)	(1,089,611)
Securities issued during the year	11,364,297	-	-	11,364,297
Capital raising costs	(430,500)	-	-	(430,500)
Cost of share based payments	-	49,416	-	49,416
Balance at 30 June 2021	45,468,491	4,591,559	(30,006,069)	20,053,981

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated 2022	2021
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		**(1,985,874)**	(1,611,002)
Interest received		**14,962**	4,981
Other income		**37,693**	105,962
Interest and other finance costs paid		**(10,028)**	(8,254)
Net cash outflows used in operating activities	6(i)	**(1,943,247)**	(1,508,313)
Cash flows from investing activities			
Expenditure on mining interests		**(3,172,696)**	(1,529,001)
Payment for plant and equipment		**(391,224)**	(2,500)
Net cash outflows used in investing activities		**(3,563,920)**	(1,531,501)
Cash flows from financing activities			
Proceeds from issue of shares		**4,438,028**	11,364,297
Payment of capital raising costs		**-**	(430,500)
Repayment of lease liabilities		**(67,051)**	(54,963)
Net cash inflow provided by financing activities		**4,370,977**	10,878,834
Net (decrease)/increase in cash held		**(1,136,190)**	7,839,020
Cash at beginning of the financial year		**10,442,067**	2,603,047
Cash at end of financial year	6	**9,305,877**	10,442,067

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

These consolidated financial statements and notes represent those of VRX Silica Limited and controlled entities. ("Group" or "Consolidated Entity").

VRX Silica Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The separate financial statements of the parent entity, VRX Silica Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2022 by the directors of the Company.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) New or Amended Accounting Standards and Interpretations Adopted

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

1. Summary of Significant Accounting Policies (Continued)

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of VRX Silica Limited ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year ("Consolidated Entity" or "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

1. Summary of Significant Accounting Policies (Continued)

(f) Revenue Recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

(g) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. Summary of Significant Accounting Policies (Continued)

(g) Income Tax (continued)

VRX Silica Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(h) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

1. Summary of Significant Accounting Policies (Continued)

(j) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(k) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(l) Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

1. Summary of Significant Accounting Policies (Continued)

(l) Investments and Other Financial Assets (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(m) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) *Impairment*
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

(ii) *Derecognition and disposal*
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

1. Summary of Significant Accounting Policies (Continued)

(n) Right-of-use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(o) Mineral Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
(b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

1. Summary of Significant Accounting Policies (Continued)

(p) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1. Summary of Significant Accounting Policies (Continued)

(s) Employee Benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(t) Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(u) Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

(v) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

1. Summary of Significant Accounting Policies (Continued)

(w) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Share-Based Payment Transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model or the binomial option valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of VRX Silica Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group’s best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1. Summary of Significant Accounting Policies (Continued)

(y) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstance and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is significant change in fair value of an asset or liability from one period to another, an analysis is undertaken which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(z) Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(o). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

1. Summary of Significant Accounting Policies (Continued)

(z) Critical Accounting Judgements, Estimates and Assumptions (continued)

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

	Consolidated 2022 $	Consolidated 2021 $
2. *Revenue and Expenses*		
(a) Revenue		
Interest received	**16,332**	8,835
Government grants	**-**	50,000
Sale of tenements	**-**	1,250,000
Other	**40,569**	47,764
	56,901	1,356,599
(b) Other Expenses		
Audit fees	**41,500**	38,000
Consulting fees	**210,175**	275,054
Legal fees	**180,000**	110,787
Marketing	**516,061**	379,254
Rent	**52,050**	38,590
Securities exchange and registry fees	**91,412**	142,828
Superannuation	**26,000**	20,235
Travel	**54,702**	17,412
Other	**298,791**	211,180
	1,470,691	1,233,340

3. *Income Tax*

(a) Income tax expense

The income tax expense for the year differs from the prima facie tax as follows:

	2022 $	2021 $
Loss for year	**(5,033,274)**	(1,089,611)
Prima facie income tax (benefit) @ 25.0% (2021: 26%)	**(1,258,319)**	(283,299)
Tax effect of non-deductible/(non-assessable) items	**(377,366)**	(693,907)
Deferred tax assets not brought to account	**1,635,685**	977,206
Total income tax expense	**-**	-

(b) Deferred tax assets

	2022 $	2021 $
Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(g) occur:	**9,756,657**	8,894,028

There are no franking credits available to the Group.

4. *Auditors' Remuneration*

The auditor of VRX Silica Limited is RSM Australia Partners.

Amounts, received or due and receivable by RSM Australia Partners for:

	2022 $	2021 $
- audit or review services	**41,500**	38,000
- other non-audit services – taxation and R&D compliance	**45,485**	6,000
	86,985	44,000

	Consolidated 2022 $	Consolidated 2021 $
5. *Earnings per Share (EPS)*		
	Cents	**Cents**
Basic earnings per share	**(0.91)**	(0.23)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Earnings – Net loss for year	**(5,033,274)**	(1,089,611)
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic EPS	**554,149,808**	480,729,994

6. *Cash and Cash Equivalents*

	2022 $	2021 $
Cash at bank	**9,305,877**	10,442,067

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation of loss for the year to net cash flows from operating activities:

	2022 $	2021 $
Loss for the year	**(5,033,274)**	(1,089,611)
Depreciation	**84,527**	63,564
Equity settled share based payment	**1,930,849**	49,416
Exploration and evaluation expenditure	**760,580**	510,511
Sale of tenements settled by equity instruments	**-**	(1,250,000)
Loss on revaluation of equity instruments	**312,500**	156,250
Net gain on termination of property lease	**-**	(4,388)
Changes in assets and liabilities		
Receivables	**(12,969)**	9,727
Payables	**32,025**	23,124
Provisions	**3,089**	49,591
GST payable/receivable	**(20,574)**	(26,497)
Net cash flows used in operating activities	**(1,943,247)**	(1,508,313)

(ii) Non-cash financing and investing activities:

There were no non-cash financing and investing activities during the year or the previous year.

	Consolidated 2022 $	Consolidated 2021 $
7. *Trade and Other Receivables*		
Current		
GST recoverable	**174,287**	89,105
Other receivables	**62,623**	165,868
	236,910	254,973

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

	2022 $	2021 $
Non-Current		
Security bonds	**26,171**	26,111
	26,171	26,111

Allowance for expected credit losses
The Group has not recognised any expected credit losses for the year ended 30 June 2022.

8. *Financial Assets at Fair Value Through Profit or Loss*

	2022 $	2021 $
Non-Current		
Listed ordinary shares – designated at fair value through profit or loss	**781,250**	1,093,750
Reconciliation		
Opening fair value	**1,093,750**	-
Additions	**-**	1,250,000
Revaluation decrement	**(312,500)**	(156,250)
Closing fair value	**781,250**	1,093,750

On 6 May 2021, the Company received 6,250,000 fully paid ordinary shares in NickelX Limited (escrowed for 12 months) at a deemed issue price of 20 cents each as part consideration for the sale of the Biranup Nickel and Gold Project (Note 19). On 30 June 2022, the closing trading price of NickelX Limited shares was 12.5 cents each (30 June 2021: 17.5 cents each).

Refer to Note 25 for further information on fair value measurement.

	Consolidated	
	2022	**2021**
	$	**$**

9. *Plant and Equipment*

Plant and equipment - at cost	**675,065**	241,494
Less: Accumulated depreciation	**(243,396)**	(230,692)
Net carrying amount	**431,669**	10,802
Reconciliation		
At 1 July, net of accumulated depreciation and impairment	**10,802**	12,211
Additions	**433,571**	2,500
Depreciation expense	**(12,704)**	(3,909)
At 30 June, net of accumulated depreciation and impairment	**431,669**	10,802

10. *Right-of-use Assets*

Land and buildings – right-of-use	**287,292**	287,292
Less: Accumulated depreciation	**(107,734)**	(35,911)
	179,558	251,381

There were no additions to the right-of-use assets during the year.

The consolidated entity leases land and buildings for its offices under a two year agreement with an option to extend for an additional two years. On renewal, the terms of the leases are renegotiated. On 1 January 2021, the consolidated entity terminated its existing lease and commenced a new lease to include additional floor-space at the same location.

The consolidated entity leases warehouse space and office equipment. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

11. *Deferred Exploration Expenditure*

Expenditure brought forward	**8,803,987**	7,686,005
Expenditure incurred during the year	**3,908,129**	1,628,493
Expenditure written off during the year	**(760,580)**	(510,511)
Expenditure carried forward	**11,951,536**	8,803,987

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.

	Consolidated	
	2022	2021
	$	$

12. *Trade and Other Payables*

Current		
Trade and other payables	**1,146,269**	395,617

Terms and conditions relating to the above financial instruments:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.

13. *Provisions*

Current		
Employee benefits	**188,928**	178,232

Employee benefits represent annual leave and long service leave entitlements of employees within the Group and are non-interest bearing.

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

Employee benefits expected to be settled after 12 months	**68,543**	62,331

14. *Lease Liabilities*

Current	**71,676**	67,051
Non-current	**116,514**	188,190

15. *Equity - Accumulated Losses*

Accumulated losses at the beginning of the year	**(30,006,069)**	(28,916,458)
Loss after income tax expenses for the year	**(5,033,274)**	(1,089,611)
Accumulated losses at the end of the year	**(35,039,343)**	(30,006,069)

	Consolidated 2022 $	Consolidated 2021 $
16. *Issued Capital*		
(a) Issued and paid up capital		
Ordinary shares - fully paid	**49,906,519**	45,468,491

(b) Movement in ordinary shares on issue	Issue Price	No. of Shares	$
2022			
Balance at the beginning of the year		**530,651,486**	**45,468,491**
Exercise of listed options expiring 31 July 2021	**$0.180**	**21,226,543**	**3,820,778**
Exercise of options expiring 30 November 2021	**$0.090**	**1,025,000**	**92,250**
Exercise of options expiring 30 November 2021	**$0.100**	**5,250,000**	**525,000**
Exercise of options expiring 30 November 2021 - using cashless exercise facility	**-**	**250,000**	**-**
Balance at the end of the year		**558,403,029**	**49,906,519**
2021			
Balance at the beginning of the year		445,101,227	34,534,694
Exercise of options expiring 30 November 2020	$0.072	15,250,000	1,098,000
Issued for cash pursuant to placement to investors – 30 November 2020	$0.180	38,888,891	7,000,000
Expense of issue		-	(430,500)
Exercise of options expiring 30 June 2021	$0.100	25,000,000	2,500,000
Exercise of options expiring 30 November 2021	$0.090	3,975,000	357,750
Exercise of options expiring 23 October 2023	$0.150	1,000,000	150,000
Exercise of listed options expiring 31 July 2021	$0.180	1,436,368	258,547
Balance at the end of the year		530,651,486	45,468,491

16. *Issued Capital (Continued)*

(c) Share options

At the end of the year, the following options over unissued ordinary shares were outstanding:

- 4,000,000 options expiring 30 November 2022, exercisable at 9 cents each;
- 2,500,000 options expiring 23 October 2023, exercisable at 15 cents each; and
- 28,800,000 options expiring 31 August 2024, exercisable at 30 cents each.

(d) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(e) Capital management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. The gearing ratios for the year ended 30 June 2022 and 30 June 2021 are as follows:

		Consolidated	
	Note	**2022**	**2021**
		$	**$**
Total liabilities (excluding provisions)	12, 14	**1,334,459**	650,858
Less: Cash and cash equivalents	6	**(9,305,877)**	(10,442,067)
Net debt		**(7,971,418)**	(9,791,209)
Total equity		**21,389,584**	20,053,981
Total capital		**13,418,166**	10,262,772
Gearing ratio		**N/A**	N/A

	Consolidated 2022 $	2021 $
17. *Reserves*		
Option issue reserve	**6,522,408**	4,591,559

Option issue reserve

(i) Nature and purpose of reserve
The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

	2022 $	2021 $
(ii) *Movements in reserve*		
Balance at the beginning of the year	**4,591,559**	4,542,143
Issue and vesting of incentive based share options	**1,881,433**	-
Options vesting in lieu of fees payable	**49,416**	49,416
Balance at the end of the year	**6,522,408**	4,591,559

18. *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:

	2022 $	2021 $
Not later than one year	**859,800**	784,800

	Consolidated	
	2022	**2021**
18. *Commitments (Continued)*	**$**	**$**
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Payable – minimum lease payments		
- Not later than one year	**42,175**	44,288
- After one year but not more than five years	**61,325**	107,490
	103,500	151,778

The property lease is a non-cancellable lease with a 24 month term commencing 1 January 2021, with rent payable monthly in advance. An option exists to renew the lease at the end of the 24 month term for an additional term of 24 months. At 30 June 2022 this consists of the variable outgoings and parking licence payments portions of the rent not recognised as a right-of-use asset.

The storage lease is currently on a month by month basis, and as a short term lease is not recognised as a right-of-use asset.

19. *Contingent Liabilities and Assets*

Contingent liabilities

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is not possible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

On 19 September 2018, Wisecat Pty Ltd, a wholly owned subsidiary of the Company, completed the acquisition of the Muchea Tenement (E70/4886) from Australian Silica Pty Ltd. Under the terms of the acquisition, Wisecat Pty Ltd will pay Australian Silica Pty Ltd an ongoing net production royalty of 1% on gross revenue on all product sold from minerals mined from the Muchea Tenement minus allowable deductions.

Contingent assets

A binding term sheet dated 19 June 2020 set out the terms upon which NickelX Limited, formerly New Energy Metals Limited, agreed to acquire 100% of the issued capital of Ventnor Gold Pty Ltd from the Company. Ventnor Gold Pty Ltd, a wholly owned subsidiary of the Company, owns 100% of the Biranup Nickel and Gold Project tenements. The sale was completed after NickelX Limited was admitted to the ASX on 6 May 2021.

The consideration for the sale consists of:

- 6,250,000 fully paid ordinary shares in NickelX Limited at a deemed issue price of 20 cents per share, issued at completion of the sale (received on 6 May 2021); and
- cash milestone payments of:
  - $200,000 upon delineation of a JORC compliant inferred resource of no less than 7.5mt at a grade of 2% nickel and 0.5% copper on the land comprising the tenements;
  - $200,000 at the completion of a feasibility study with respect to the Biranup Project demonstrating an ability to operate it as a commercially viable enterprise, and
  - $500,000 at the first commercial extraction of any minerals, mineral products, ore or concentrates, in whatever form, from the Biranup Project.

20. *Financial Reporting by Segments*

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 year ended 30 June 2022, 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 (2021: Nil) are derived from a single external customer.

21. *Related Party Transactions*

(a) Subsidiaries

The consolidated financial statements include the financial statements of VRX Silica Limited and the subsidiaries listed in the following table.

	County of Incorporation	**% Equity Interest**	
		2022	2021
		%	%
Ventnor Mining Pty Ltd	Australia	**100**	100
VRX Boyatup Pty Ltd	Australia	**100**	100
VRX Midwest Pty Ltd (formerly Ventnor Pilbara Pty Ltd)	Australia	**100**	100
Wisecat Pty Ltd	Australia	**100**	100

(b) Parent entity

VRX Silica Limited is the ultimate Australian parent entity and ultimate parent of the Group.

21. *Related Party Transactions (Continued)*

(c) Key management personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2022.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	Consolidated	
	2022	2021
	$	$
Short-term benefits	**488,591**	396,422
Post-employment benefits	**32,409**	28,453
Share-based payments	**676,502**	-
	1,197,502	424,875

Shares Issued to Key Management Personnel on Exercise of Compensation Options

During the year, key management personnel did not exercise any options.

During the previous year, the Company issued the following fully paid ordinary shares on the exercise of unlisted options at 7.2 cents each, exercisable on or before 30 November 2020:
Mr Paul Boyatzis 3,000,000 shares
Mr Bruce Maluish 5,000,000 shares
Mr Peter Pawlowitsch 3,000,000 shares
The options were originally granted to directors on 30 November 2017.

Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year (2021: Nil).

Other Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year, the Group subleased office space for:
- $40,569 (2021: $29,414) to Aruma Resources Ltd, a company Mr Paul Boyatzis is a director of.

At 30 June 2022, the Group has an outstanding receivable of:
- $11,305 (2021: $8,142) from Aruma Resources Ltd, a company Mr Paul Boyatzis is a director of.

22. *Parent Entity Disclosures*

(a) Summary financial information

Financial Position

	Parent	
	2022	**2021**
	$	**$**
Assets		
Current assets	**9,416,656**	10,645,820
Non-current assets	**12,570,737**	9,976,345
Total assets	**21,987,393**	20,622,165
Liabilities		
Current liabilities	**481,295**	379,993
Non-current liabilities	**116,514**	188,190
Total liabilities	**597,809**	568,183
Equity		
Issued capital	**50,006,519**	45,568,491
Reserves	**6,522,408**	4,591,559
Accumulated losses	**(35,139,343)**	(30,106,069)
Total equity	**21,389,584**	20,053,981

Financial Performance

Loss for the year	**(5,033,274)**	(1,089,611)
Other comprehensive income	**-**	-
Total comprehensive loss	**(5,033,274)**	(1,089,611)

(b) Guarantees

VRX Silica Limited has not entered into any guarantees in relation to the debts of its subsidiary.

(c) Other commitments and contingencies

VRX Silica Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in Note 19.

(d) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in Note 1 except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

23. *Share Based Payments*

	Consolidated 2022 $	Consolidated 2021 $
(a) Value of share based payments in the financial statements		
Expensed:		
Incentive based payments to consultants:		
Unlisted options	**1,100,010**	-
Directors remuneration:		
Unlisted options	**676,502**	-
Incentive based payments to employees:		
Unlisted options	**104,921**	-
Share based payments in lieu of fees payable:		
Unlisted options*	**49,416**	49,416
Recognised in the statement of profit or loss and other comprehensive income	**1,930,849**	49,416
Total share based payments	**1,930,849**	49,416

*Amortisation of previous options issued.

(b) Summary of share-based payments

Shares:

During the year, and previous financial year, no shares were issued as share based payments.

23. *Share Based Payments (Continued)*

Options:

Set out below are the summaries of options granted as share based payments:

2022

Grant Date	Expiry Date	Exercise Price	Balance 01/07/21	Granted during the year	Exercised during the year	Expired	Balance 30/06/22	Number vested and exercisable
18/09/18	30/11/21	$0.100	5,500,000	-	(5,500,000)	-	-	-
21/11/18	30/11/21	$0.100	250,000	-	(250,000)	-	-	-
30/11/18	30/11/21	$0.217	11,000,000	-	-	(11,000,000)	-	-
09/04/19	30/11/21	$0.090	1,025,000	-	(1,025,000)	-	-	-
31/05/19	30/11/22	$0.090	4,000,000	-	-	-	4,000,000	4,000,000
23/10/19	23/10/23	$0.150	2,000,000	-	-	-	2,000,000	-
11/11/19	23/10/23	$0.150	500,000	-	-	-	500,000	500,000
29/01/20	31/07/21	$0.180	5,111,852	-	(3,835,238)	(1,276,614)	-	-
19/08/21	31/08/24	$0.300	-	11,100,000	-	-	11,100,000	11,100,000
29/11/21	31/08/24	$0.300	-	15,300,000	-	-	15,300,000	10,200,000
07/12/21	31/08/24	$0.300	-	2,400,000	-	-	2,400,000	1,600,000
			29,386,852	28,800,000	(10,610,238)	(12,276,614)	35,300,000	27,400,000
Weighted average exercise price			$0.160	$0.300	$0.128	$0.213	$0.266	$0.267

2021

Grant Date	Expiry Date	Exercise Price	Balance 01/07/20	Granted during the year	Exercised during the year	Expired	Balance 30/06/21	Number vested and exercisable
30/11/17	30/11/20	$0.072	12,000,000	-	(12,000,000)	-	-	-
11/12/17	30/11/20	$0.072	3,250,000	-	(3,250,000)	-	-	-
14/09/18	30/06/21	$0.100	25,000,000	-	(25,000,000)	-	-	-
18/09/18	30/11/21	$0.100	5,500,000	-	-	-	5,500,000	5,500,000
21/11/18	30/11/21	$0.100	250,000	-	-	-	250,000	250,000
30/11/18	30/11/21	$0.217	11,000,000	-	-	-	11,000,000	11,000,000
09/04/19	30/11/21	$0.090	5,000,000	-	(3,975,000)	-	1,025,000	1,025,000
31/05/19	30/11/22	$0.090	4,000,000	-	-	-	4,000,000	4,000,000
23/10/19	23/10/23	$0.150	3,000,000	-	(1,000,000)	-	2,000,000	-
11/11/19	23/10/23	$0.150	500,000	-	-	-	500,000	500,000
29/01/20	31/07/21	$0.180	6,548,220	-	(1,436,368)	-	5,111,852	5,111,852
			76,048,220	-	(46,661,368)	-	29,386,852	27,386,852
Weighted average exercise price			$0.119	-	$0.094	-	$0.160	$0.150

23. *Share Based Payments (Continued)*

The value of options incurred as share based payments are as follows:.

	Value per Option	Number of Options	$
2022			
Options granted during the period:			
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. The options vest and become exercisable on the following dates, provided the holder continues to be a director on those 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 30 June 2022			(187,438)
Unlisted options exercisable at $0.30 each on or before 31 August 2024, issued to employees. The options vest and become exercisable on the following dates, provided the holder continues to be an employee on those 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 30 June 2022			(29,559)
Amortisation of options granted in prior periods:			
Value of options previously issued as part of financial advisory fees to Argonaut Capital Limited, expensed during the year.			49,416
			1,930,849
2021			
Amortisation of options granted in prior periods:			
Value of options previously issued as part of financial advisory fees to Argonaut Capital Limited, expensed during the year.			49,416
			49,416

23. *Share Based Payments (Continued)*

Where deferred vesting options are subject to milestones or vesting dates, probability of achieving those milestones or vesting dates have been assessed at 100% unless otherwise stated.

The 11,100,000 unlisted options granted to consultants on 19 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%, early exercise multiple of 2.5x and nil dividend yield.

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%, early exercise multiple of 2.5x and nil dividend yield.

On 7 December 2021, 2,400,000 unlisted options were granted 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%, early exercise multiple of 2.5x and nil dividend yield.

Unlisted options granted on 23 October 2019, exercisable at $0.15 each on or before 23 October 2023, were issued as part of financial advisory fees to Argonaut Capital Limited, with the following vesting criteria applying:
Tranche 1 – 1,000,000 options - no vesting criteria, exercisable from date of issue.
Tranche 2 – 1,000,000 options - exercisable only after the receipt of credit approval in respect of any transaction (or series of transactions) that in aggregate contemplate the issuance of debt financing of at least $20 million to the Company.
Tranche 3 – 1,000,000 options - exercisable only after the raising of sufficient capital, including debt or equity or other financing, to fully fund construction of the first of one of the Arrowsmith Silica Sand Projects or the Muchea Silica Sand Project.
The options were issued for $300 consideration and vest upon the satisfaction of milestones considered to be non-market factors. The options were valued using the Black-Scholes model using an underlying share price of $0.145, volatility of 100%, nil dividend yield and an interest rate of 0.745%.

The weighted average remaining contractual life of share-based payment options that were outstanding as at 30 June 2022 was 1.913 years (2021: 0.658 years).

The weighted average fair value of share-based payment options granted during the year was $0.07286 each (2021: Nil).

24. *Financial Risk Management*

The consolidated entity's principal financial instruments comprise receivables, payables, loans, cash and short-term deposits. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. The consolidated entity does not speculate in the trading of derivative instruments. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

Risk Exposures and Responses

Interest Rate Risk

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Company has no variable interest rate bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At balance date, the consolidated entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2022	**2021**
	$	**$**
Financial Assets		
Cash and cash equivalents (interest-bearing accounts)	**9,274,160**	7,390,876
Net exposure	**9,274,160**	7,390,876

24. *Financial Risk Management (Continued)*

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the consolidated entity would have been affected as follows:

	Consolidated	
	2022	**2021**
	$	**$**
Judgements of reasonably possible movements:		
Post tax profit – higher / (lower)		
+ 0.05%	**4,637**	3,695
- 0.05%	**(4,637)**	(3,695)
Equity – higher / (lower)		
+ 0.05%	**4,637**	3,695
- 0.05%	**(4,637)**	(3,695)

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other available credit lines.

The consolidated entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise deposits with banks and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

The consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the consolidated entity's policy to secure its trade and other receivables.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts.

The consolidated entity's cash deposits are held with a major Australian banking institution otherwise, there are no significant concentrations of credit risk within the consolidated entity.

24. *Financial Risk Management (Continued)*

The following table details the expected maturity of the Group's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

Consolidated	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $
2022					
Financial Assets:					
Non-interest bearing	**-**	**268,627**	**-**	**2,583**	**781,250**
Variable interest rate	**0.35**	**4,256,813**	**-**	**-**	**-**
Fixed interest rate	**0.43**	**5,017,347**	**-**	**-**	**23,588**
		9,542,787	**-**	**2,583**	**804,838**
Financial Liabilities:					
Non-interest bearing	**-**	**1,146,269**	**-**	**-**	**-**
Fixed interest rate	**4.60**	**5,788**	**17,493**	**48,395**	**116,514**
		1,152,057	**17,493**	**48,395**	**116,514**
2021					
Financial Assets:					
Non-interest bearing	-	3,306,164	-	2,583	1,093,750
Variable interest rate	0.05	2,387,300	-	-	-
Fixed interest rate	0.32	5,003,576	-	-	23,528
		10,697,040	-	2,583	1,117,278
Financial Liabilities:					
Non-interest bearing	-	395,617	-	-	-
Fixed interest rate	4.60	5,411	16,355	45,285	188,190
		401,028	16,355	45,285	188,190

Capital Management Risk

Management controls the capital of the consolidated entity in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the consolidated entity since the prior year.

Equity Price Risk

The consolidated entity's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the consolidated entity's exposure to listed equity securities at fair value was $781,250 (2021: $1,093,750). A decrease of 10% (2021: 10 per cent) on the share prices could have an impact of approximately $78,125 (2021: $109,375) on the profit or loss attributable to the consolidated entity.

24. *Financial Risk Management (Continued)*

Commodity Price and Foreign Currency Risk

The consolidated entity’s exposure to price and currency risk is minimal given the consolidated entity is still in the exploration phase.

25. *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 $
2022				
Assets				
Ordinary shares at fair value through profit or loss	**781,250**	**-**	**-**	**781,250**
Total assets	**781,250**	**-**	**-**	**781,250**
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 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.

26. *Events Subsequent to Year End*

No matters or circumstances that have arisen since 30 June 2022 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, are in accordance with the *Corporations Act 2001* and:

> **a.** Comply with Accounting Standards, which, as stated in accounting policy Note 1(c) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
>
> **b.** Give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the year ended on that date;

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations required by s295A of the *Corporation Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Bruce Maluish
Director

Perth, 30 September 2022

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

Opinion

We have audited the financial report of VRX Silica Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Carrying Value of Deferred Exploration Expenditure Refer to Note 11 in the financial statements	
The Group has capitalised deferred exploration expenditure with a carrying value of $11,951,536 as at 30 June 2022. We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the assets including: • Determination of whether the exploration and evaluation expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest; • Assessing whether any indicators of impairment are present and if so, judgement applied to determined and quantify any impairment loss; and • Assessing whether exploration activities have reached a stage at which the existence of an economically recoverable reserves may be determined.	Our audit procedures included: • Assessing the Group's accounting policy for compliance with Australian Accounting Standards; • Assessing whether the rights to tenure of those areas of interest are current; • Testing a sample of additions to supporting documentation and assessing whether the amounts capitalised during the year are in compliance with the Group's accounting policy and relate to the relevant area of interest; • Enquiring with management and reading budgets and other documentation as evidence that active and significant operations in, or relation to, the relevant area of interests will be continued in the future; • Assessing and evaluating management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined; • Assessing and evaluating management's assessment of whether indicators of impairment existed at the reporting date; and • Assessing the appropriateness of the disclosures in the financial statements.
Share-Based Payments Refer to Note 23 in the financial statements	
During the year, the Group entered a share-based payments arrangement with its key management personnel, employees, consultants and suppliers. Management has accounted for these instruments in accordance with AASB 2 *Share-Based Payments*. We considered this to be a key audit matter due to: • The complexity of the accounting required to fair value these instruments; • Management judgement is required to determine the probability of vesting conditions of these instruments and the inputs used in the valuation model to fair value these instruments; and • The recognition of the share-based payment expense is complex due to the variety of vesting conditions attached to these instruments.	Our audit procedures included: • Assessing the Group's accounting policy for compliance with Australian Accounting Standards; • Obtaining an understanding of the terms and conditions of the instruments issued; • Assessing the appropriateness of management's valuation model applied to determine the fair value of these instruments issued and testing key inputs used to determine the fair value; • Critically assessing management's determination of the vesting conditions of each instrument; • Recalculating the amount of the share-based payment expense recognised in consolidated statement of profit or loss and other comprehensive income; and • Assessing the appropriateness of disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of VRX Silica Limited, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

AIK KONG TING
Partner

Perth, WA
Dated: 30 September 2022

Celebrating 100 Est.1922 in Australia

RSM

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of VRX Silica Limited for the year ended 30 June 2022, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

AIK KONG TING
Partner

Perth, WA
Dated: 30 September 2022

HOLDINGS AS AT 19 SEPTEMBER 2022

Number of Securities Held	Ordinary Fully Paid Shares No. of Holders	 No. of Shares
1 to 1,000	111	26,819
1,001 to 5,000	857	2,740,164
5,001 to 10,000	657	5,292,826
10,001 to 100,000	1,739	65,439,307
100,001 and over	641	484,903,913
Total	4,005	558,403,029
Number of holders of less than a marketable parcel	625	1,260,212

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number
Sparta AG	51,100,000

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

20 Largest Holders of Securities as at 19 September 2022:

Ordinary Fully Paid Shares

		Number	%
1.	SPARTA AG	49,200,000	8.81
2.	MR MICHELE GALEA <BLUE SKY FAMILY A/C>	15,046,237	2.69
3.	MOSCH PTY LTD	13,333,332	2.39
4.	GOLDFIRE ENTERPRISES PTY LTD	11,217,124	2.01
5.	PARLIN INVESTMENTS PTY LTD <PARLIN DISCRETIONARY A/C>	9,700,025	1.74
6.	MR MICHELE GALEA	8,000,000	1.43
7.	MR BRUCE DENNIS MALUISH	7,060,535	1.26
8.	MORKIM PTY LTD	7,000,000	1.25
9.	AUSTRALIAN SILICA PTY LTD	6,892,754	1.23
10.	MASH SUPER PTY LTD <MALUISH ENGLISH S/F A/C>	6,750,000	1.21
11.	CITICORP NOMINEES PTY LIMITED	6,349,289	1.14
12.	MR JOHN CHARLES GEARY	6,000,000	1.07
13.	AUSTRALIAN INTERNATIONAL SERVICES PTY LTD	5,534,755	0.99
14.	HAVEN SUPER PTY LTD <HAVEN SUPER A/C>	5,383,437	0.96
15.	LESUER PTY LTD <PMB SUPER FUND A/C>	5,180,000	0.93
16.	VAULT (WA) PTY LTD <VAULT A/C>	5,125,000	0.92
17.	ANDREW MALUISH SUPER PTY LTD <ANDREW MALUISH S/F A/C>	5,000,000	0.90
17.	AURO PTY LTD	5,000,000	0.90
19.	SURPION PTY LTD <M W SUHR & CO A/C>	4,750,000	0.85
20.	GOLDFIRE ENTERPRISES PTY LTD	4,500,000	0.81
		187,022,488	**33.49**

Unlisted Options

Details of unlisted option holders are as follows:

Class of unlisted options	Number of Options	Number of Holders
Options exercisable at 9 cents each on or before 30 November 2022	4,000,000	1
Holdings of more than 20% of this class		
- Parlin Investments Pty Ltd	4,000,000	
Options exercisable at 15 cents each on or before 23 October 2023	2,500,000	2
Holdings of more than 20% of this class		
- Argonaut Investments Pty Ltd	2,000,000	
Options exercisable at 30 cents each on or before 31 August 2024	11,100,000	4
Holdings of more than 20% of this class		
- Remcor Pty Ltd	4,500,000	
- Terence Robert Abel	2,400,000	
- Yoonil Kim	2,400,000	
Options exercisable at 30 cents each on or before 31 August 2024	17,700,000	5
Holdings of more than 20% of this class		
- MASH Super Pty Ltd	5,400,000	
- Lesuer Pty Ltd	3,900,000	

Restricted Securities

The company does not have any restricted securities on issue as at the date of this report.

On-market Buy-back

Currently there is no on-market buy-back of the Company’s securities.

Consistency with business objectives

The company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.

WESTERN AUSTRALIA

Arrowsmith Project – Silica

Tenement	Status	Holder / Applicant	Interest (%)
E70/4986	Granted	Ventnor Mining Pty Ltd	100
E70/4987	Granted	Ventnor Mining Pty Ltd	100
E70/5027	Granted	Ventnor Mining Pty Ltd	100
E70/5109	Granted	Ventnor Mining Pty Ltd	100
E70/5197	Granted	Ventnor Mining Pty Ltd	100
E70/5817	Granted	Ventnor Mining Pty Ltd	100
M70/1389	Granted	Ventnor Mining Pty Ltd	100
M70/1392	Granted	Ventnor Mining Pty Ltd	100
M70/1418	Application	Ventnor Mining Pty Ltd	100
L70/198	Granted	Ventnor Mining Pty Ltd	100
L70/199	Granted	Ventnor Mining Pty Ltd	100
L70/202	Granted	Ventnor Mining Pty Ltd	100
L70/203	Granted	Ventnor Mining Pty Ltd	100
L70/208	Granted	Ventnor Mining Pty Ltd	100
L70/229	Application	Ventnor Mining Pty Ltd	100
L70/230	Granted	Ventnor Mining Pty Ltd	100
G70/264	Granted	Ventnor Mining Pty Ltd	100
G70/265	Granted	Ventnor Mining Pty Ltd	100
G70/266	Granted	Ventnor Mining Pty Ltd	100

Muchea Project – Silica

Tenement	Status	Holder / Applicant	Interest (%)
E70/4886	Granted	Wisecat Pty Ltd	100
E70/5157	Granted	Wisecat Pty Ltd	100
E70/5548	Granted	Wisecat Pty Ltd	100
E70/5651	Application	Wisecat Pty Ltd	100
M70/1390	Granted	Wisecat Pty Ltd	100
M70/1414	Application	Wisecat Pty Ltd	100
L70/200	Granted	Wisecat Pty Ltd	100
L70/204	Granted	Wisecat Pty Ltd	100
L70/205	Application	Wisecat Pty Ltd	100
L70/206	Granted	Wisecat Pty Ltd	100

Boyatup Project – Silica

Tenement	Status	Holder / Applicant	Interest (%)
E69/3560	Granted	VRX Boyatup Pty Ltd	100
E69/3668	Granted	VRX Boyatup Pty Ltd	100