



20 January 2025

Additional Offtake Demand for Arrowsmith North

Highlights:

-  ***New detailed non-binding offtake term sheets signed with significant sand importers in South Korea, Japan and Taiwan***
-  ***Offtakers supply to sizeable foundry sand end users who have confirmed superior quality of Arrowsmith North silica sand for the foundry industry after comprehensive testing***
-  ***Adds 440,000 tonnes of offtake interest for Arrowsmith North silica sand for an aggregate of 640,000 tonnes per year that is expected to grow***
-  ***Completion of permitting expected Q1 2025, including environmental and mining approvals***
-  ***Supports project financing initiatives currently being explored***

VRX Silica Limited (ASX:VRX) (**VRX** or **Company**) is pleased to announce it has entered into additional non-binding offtake term sheets for the supply of silica sand foundry products from its Arrowsmith North Silica Sand Project (**Arrowsmith North**) into the foundry industries in the Republic of Korea (**South Korea**), Japan and Taiwan.

The offtake parties are all significant suppliers in their respective countries. Namgwang Casting Materials Ind Co., Ltd and Woori Corporation, are leading suppliers of sand to the foundry industry in South Korea. Yamakawa Sangyo Co., Ltd is a leading supplier to the foundry industry in Japan. FarnHwa Enterprise Co., Ltd is a leading supplier of water filter media and sized dry sand in Taiwan.

The new term sheets follow VRX's announcement to ASX earlier this month that the Environmental Protection Authority of Western Australia has recommended to the Minister for Environment that the Arrowsmith North development proposal may be implemented subject to agreed conditions.¹

¹ ASX announcement "EPA Recommends Arrowsmith North Development Proposal" dated 9 January 2025

ASX: VRX

Capital Structure

Shares on Issue:

744 million

Listed options:

56 million

Unlisted Options:

35 million

Corporate Directory

Paul Boyatzis

Non-Executive Chairman

Bruce Maluish

Managing Director

Peter Pawlowitsch

Non-Executive Director

David Welch

Non-Executive Director

Ian Hobson

Company Secretary

Silica Sand Projects

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

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

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

Geothermal Energy

Dandaragan Geothermal Energy Permit, 145km north of Perth, WA

The Company is actively assessing other silica sand and downstream processing projects in Australia.

They set out detailed terms and conditions for the supply of an aggregate 440,000 tonnes per annum of AFS20, 35 and 55 certified foundry sand for a period of four years, with indicative pricing within the range of the Company's financial modelling for Arrowsmith North as provided in the updated bankable feasibility study for the project announced to ASX in March 2024².

Key assumptions for the BFS include a target price range of US\$38-43 per dry metric tonne, dependent on product type, product quality, contract terms and quantity, and a targeted production schedule of 2.2 million tonnes per annum over the full mine life with a conservative ramp up from a minimum 800,000 tonnes to 1.1 million tonnes per annum in years 1 and 2.

The Company now has offtake interest under term sheet for an aggregate of 640,000 tonnes, which includes the 200,000 tonnes sought by Dong A and Dong Nam in South Korea as previously announced to ASX.³

Extensive testing by potential buyers of Arrowsmith North silica sand foundry product samples supplied by VRX has confirmed that silica sand from Arrowsmith North will be a sought-after product for foundry industries in these markets. Organisations are seeking to replace dwindling volumes from current suppliers with stable long-term supply. The key features for foundry sand are particle size distribution and grain shape and size. Laboratory results from metallurgical test work undertaken by the buyers indicate the product from Arrowsmith North is a superior quality and meets their own stringent specification.

VRX Managing Director Bruce Maluish said: *"Increasing interest in our Arrowsmith North silica sand foundry products is demonstrated by these additional term sheets and we expect more to follow. These companies are established leaders in their industry and VRX is pleased they have signed up as we expect them to be long term buyers."*

"The South Korean and Japanese foundry industries in particular are an extensive support service for the automobile and marine industries. VRX's engagement with these buyers will expand awareness of the quality of our product in these large and important Asian markets and will lead to further inquiries from parties keen to secure long term supplies of Arrowsmith North silica sand."

"Importantly, these term sheets further vindicate VRX's strategy to ensure production of a unique Australian highly sought-after product and to secure the right customers for our silica sand products. Market demand for the high-quality foundry sand we can produce remains very strong and, having signed up now five reputable partners, will only further strengthen our credibility and position in the marketplace."

"We will focus on converting these non-binding term sheets into binding offtake agreements to support our capital funding requirements and continue to progress talks with other parties involved in the foundry sand and glass-making industries."

Permitting for Arrowsmith North is expected to finalise by the end of Q1 2025, including environmental and mining approvals. The Company is exploring project financing alternatives including engaging with prospective debt financiers who have expressed an interest in providing funding for the project.

² See the updated bankable feasibility study released to ASX in 2024 (ASX announcement "Arrowsmith North Updated BFS" dated 6 March 2024)

³ ASX announcement "Arrowsmith North Offtake" dated 10 November 2021

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

VRX cautions that the term sheets are non-binding and subject to conditions. Detailed testing of sample product, negotiations to-date and expected completion of permitting for Arrowsmith North give VRX a reasonable basis to believe binding offtake agreements will be entered into in the near future, however there can be no certainty that any binding agreement will be reached. Further, there can be no certainty that any conditions precedent to any such binding agreements will be satisfied. While today's announcement of these new term sheets remain a significant development for the Company, investors are nonetheless cautioned against placing undue reliance on the term sheets.

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

Further information:

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About VRX Silica Limited

VRX Silica Limited (ASX: VRX) is the most advanced pureplay silica sand company listed on the ASX, developing its 100% owned silica sand projects at Arrowsmith (North, Brand and Central), Muchea and Boyatup in Western Australia.

Silica sand is the most used commodity on the planet after air and water. It is the main ingredient in all types of glassmaking, including specialty solar panel and high-tech glass, and foundry casting. It is a finite resource that is running out, with the Asia-Pacific region experiencing an ever-growing supply shortfall that is driving up prices.

Arrowsmith is located 270km north of Perth. Arrowsmith North boasts a minimum 25-year mine life capable of producing more than 2Mt tonnes per year of high-grade (99.7% SiO₂)* silica sand for export to the foundry, container glass and flat glass markets in Asia, with permitting well advanced, and will lead production.

Muchea, located 50km north of Perth, is an ultra-high-grade (99.9% SiO₂)* silica sand project capable of producing sand required for ultra-clear glass for solar panels and other high-tech glass applications.

Boyatup, located 100km east of Esperance, is under development and capable of producing sand for the glass market.



*Information relating to grades are extracted from releases to ASX on 28 August 2019 and 11 November 2022 (Arrowsmith North) and 18 October 2019 (Muchea). The company is not aware of any new information or data that materially affects this information.